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FISCAL YEAR 1984

Compensation Report

U.S. Civil Service
Retirement System

Federal Employees
Health Benefits
Program

Federal Employees'
Group Life
Insurance Program

Pay Programs

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FISCAL YEAR 1984

Compensation Report

U.S. Civil Service Retirement System

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Pay Programs

**United States
Office of
Personnel
Management**

Retirement and Insurance Group
Office of Financial Management
and Control
Washington, D.C. 20415
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Executive Summary

This report presents information for Fiscal Year 1984 on the following Federal compensation Programs administered by the U.S. Office of Personnal Management:

- The U.S. Civil Service Retirement System;
- The Federal Employees Health Benefits Program;
- The Retired Federal Employees Health Benefits Program;
- The Federal Employees' Group Life Insurance Program; and
- Specified pay systems.

Supplemental financial and utilization information pertaining to the Federal Employees Health Benefits Program is collected on a calendar year basis corresponding to the contract periods and is available on request.

Retirement System

Almost eighty-four thousand retired employees were added to the Civil Service annuity roll in FY 1984, including 65,937 retiring under normal provisions, 9,510 retiring on disability and 8,507 retiring under other provisions. This represented a net increase of four percent over FY 1983. The number of annuitants with normal retirements rose by 7.0 percent but was offset by a 2.5 percent decrease in the number with disability retirements.

Disability retirements have declined steadily since 1980 under vigorous application of existing requirements and the enactment of more stringent legislation contained in the Omnibus Budget Reconciliation Act of 1982. Disabled annuitants made up 22.8 percent of those added to the roll in 1980 but only 11.3 percent of those added in FY 1984. OPM surveyed all 110,000 disabled annuitants under age 60 in FY 1984 and removed 692 from the disability roll who had regained earning capacity. Disability benefits of $4.2 million were saved that year as a result.

Other savings totaling $6.5 million resulted during FY 1984 from a marital status survey, from the elimination of a grace period for adult students and from a computer match with the Office of Workers' Compensation Programs to discover duplicate payments.

The average monthly annuity paid to those on the roll increased by only $2 in FY 1984 because a cost-of-living adjustment (COLA) originally set for FY 1984 was delayed until January 1985 when a 3.5 percent COLA was paid. With the enactment of the Omnibus Budget Reconciliation Act of 1983, COLA's are effective December 1 of each year, based on the third calendar quarter's average Consumer Price Index and payable the first business day in January. The $2 increase in monthly annuities was attributed to higher average annuities for those added to the roll; their average monthly annuity is $80 higher in FY 1984 than in FY 1983.

In January 1985 the Board of Actuaries of the Civil Service Retirement System (CSRS) released the results of a full valuation of the CSRS as of 1982. The valuation revealed a number of significant demographic changes and incorporated revised economic assumptions which combined to:

- Decrease the Plan's normal cost by 1.6 percent of pay;
- Decrease the actuarial present value of accumulated Plan benefits by $3.4 billion as of September 10, 1984;
- Cause the dynamic unfunded actuarial accrued liability to decline by $4.9 billion as of September 30, 1984.

The FY 1984 financial statements reflect the new Board of Actuaries' assumptions. Exhibit R17 presents comparative data using the old and new assumptions.

The long-term health of the U.S. Civil Service Retirement and Disability Fund (CSRDF) continued to depend on direct Treasury payments although interest income was increasingly important. The Government's total contribution in FY 1984, exclusive of interest on Government securities, was 56.6 percent of total CSRDF income, down from 59.4 percent in FY 1983. The percent contributed by interest income, on the other hand, was up by approximately three percentage points, compared with the previous year's two percent. Total net assets of the Fund grew by 13.5 percent, less than the 14.3 percent growth reported for FY 1983.

From a total liability standpoint, the CSRS was under-funded as of September 30, 1984. The acruarial present value of accumulated plan benefits exceeded net assets by $411.7 billion in FY 1984, an increase of $11 billion over FY 1983. The comparable increase for FY 1983 was $8.8 billion. The dynamic unfunded liability was $542.1 billion at the end of FY 1984 compared to $527.5 at the end of FY 1983, an increase of 2.8 percent. These comparisons are based on the new actuarial assumptions noted earlier.

Health Benefits Program

The financial position of the Federal Employees Health Benefits (FEHB) Fund improved significantly during FY 1984. FEHB revenues exceeded expenses by $997 million. As a result, Government equity grew from $900 million at the close of FY 1983 to $1,897 million at the close of FY 1984—a 111 percent increase. Experience-rated carriers' special reserves grew from $240 million to $1,143 million. (A carrier's special reserve amounts to the carrier's cumulative excess of premiums due and received from OPM, plus interest, over the sum of claim charges and expense and risk charges since the carrier entered the Program.) These reserves represent FEHB Program assets which are held and invested by each experience-rated carrier.

Since the FEHB Program has been encouraging enrollees and providers to resist excessive utilization and cost increases through improved education, more cost-efficient alternatives to providing health care, and cost-sharing through deductibles and coinsurance, the trend toward lower utilization was expected. The FEHB trend was consistent with decreased utilization experienced in private sector health plans. However, the extent of improvement in utilization was greater than had been anticipated when 1984 rates were set, resulting in large increases in carrier and Fund reserves.

Approximately 400,000 FEHB enrollees changed plans or options for the 1984 contract year, down from 500,000 the previous open season. These changes favored lower cost alternatives for the most part, but did not result in any change in the "Big Six," the plans used to determine the Government contribution to the FEHB premiums.

Employee organization and comprehensive plans, or HMOs, continued to increase their shares of the Federal market. Blue Cross-Blue Shield and Aetna held less than half this market during 1984 for the first time in the Program's history. This shift was primarily a result of employee decisions; annuitants tended to stay with Government-wide plans.

The financial base of the Retired Federal Employees Health Benefits (RFEHB) Program, established for annuitants who retired before the FEHBP was created in 1960, also improved significantly during FY 1984. A steady decline in Government equity in the RFEHB Fund was reversed following substantial premium increases in 1982 and 1983 and the Fund increased to $4.0 million in FY 1984 from $.7 million in FY 1982.

Life Insurance Program

In February 1984, OPM issued the first valuation of the FEGLI Program since institution of the new optional coverages in 1981. Based on this valuation, premiums were reduced for practically all participants in May 1984. Major reasons for the premium reductions were improved mortality experience, i.e., lower death rates, for both employees and annuitants and higher investment yields earned by the FEGLI Fund. For the Additional and Family options, a lessening impact of adverse selection was also a factor. (Adverse selection typically occurs in a new insurance offering of this sort when persons at high risk of collecting on life insurance, because of their own or family members' ill health, are more likely than others to purchase insurance when it is made available. During the initial year of coverage some of these deaths will occur, causing a temporary rise in claims filed.)

Estimated FEGLI enrollment increased to 3,812,000, up 1.2 percent from FY 1983, and the estimated amount of insurance in force was up 4.4 percent from FY 1983, at $266.3 billion. These increases were consistent with increases in the underlying employee and annuitant populations and with higher employee pay levels.

Numbers and amounts of claims paid, on the other hand, appeared somewhat lower than in FY 1983. This apparent "decline" was actually the result of a temporary delay in claims processing by Metropolitan Insurance Company due to a new report required of FEGLI beneficiaries, effective January 1, 1984.

Pay Programs

Pay for General Schedule (GS) employees increased by four percent in FY 1984, an increase valued at $1.1 billion. The President had submitted an alternate plan to Congress calling for a 3.5 percent raise in January 1984. Congress later enacted legislation that changed the increase to four percent, retroactive to January.

The "comparability model" pay-setting method used by the President's Pay Agent (the Secretary of Labor and the Directors of OPM and the Office of Management and Budget who jointly advise the President on Federal pay matters) had indicated an increase of 21.51 percent for January 1984. In their August 1983 Report on the 1984 comparability adjustment, the Pay Agent noted that while the principle of pay comparability was reasonable, the curent procedures produced an unrealistically high estimate of the comparability gap and a number of modifications to improve the comparability measure should be considered. Alternative approaches would be studied to determine what new methods should be used in calculating future comparability adjustments.

Federal Wage Systems (FWS) employees, who are paid local prevailing rates, were held, for the most part, to the FY 1984 increase of four percent granted GS employees.

U.S. Civil Service Retirement System

Program Highlights

The number of retiring employees added to the roll in FY 1984 was 4.0 percent greater than in the previous year, as shown in Exhibit R1. This increase was driven by a 7.0 percent increase in the number of annuitants with normal retirements. Disability retirements declined by 2.5 percent, continuing a trend first noted in Fiscal Year 1981. Deferred and involuntary early retirements also declined. Voluntary early retirements increased by 68 to 400, an insignificant increase compared with the decline from 1,214 in FY 1982 to 332 in FY 1983.

The number of survivors of annuitants and employees added to the roll, however, decreased in FY 1984, as had occurred the two previous years; see Exhibit R4. This reflects a continuing decline in the number of surviving children added to the roll; the numbers of widows and widowers have remained fairly constant. Changes in the numbers of survivors on the roll parallel the above trends, as shown in Exhibit R6. The average annuity paid survivors on the roll increased by 3.1 percent, an increase due primarily to population changes as there was no cost-of-living adjustment (COLA) during FY 1984.

Elimination of COLA for FY 1984 Keeps Average Annuities Constant in 1984

The average monthly annuity for retirees on the roll in FY 1984 increased by only $2 from the previous year in accord with a change in CSRS law. P.L. 98-270 provided that no COLA would be made during the period beginning with the date of its enactment, April 18, 1984, and ending November 30 of that year. As a result, no COLA was made during Fiscal Year 1984. Under this law, COLA's are effective December 1 of each year, based on the yearly change in the third calendar quarter's average Consumer Price Index (CPI) and payable the first business day in January. A COLA of 3.5 percent was paid in January 1985.

The $2 increase in onroll annuities can be attributed to higher annuities paid to those retiring during FY 1984. The average monthly annuity for these persons was $80 higher than for FY 1983 retirees, an increase of 8.5 percent. Last year, the comparable increase was 8.0 percent. Of the FY 1984 increase, 2.4 percent, or $23, can be attributed to an increase from FY 1983 in average length of service of 7.2 months. Average contributions also increased, by 9.5 percent. Thus, relatively higher salary levels among recent retirees also account for some of the increase in average monthly annuities.

While the average monthly annuity of those added to the roll during FY 1984 is $1,020, as shown in Exhibit R7, for those on the roll it was $1,078. For those dropped from the roll in FY 1984 it was $960. Thus, were it not for the effect of the low annuities of the dropped annuitants, the average onroll monthly annuity would have declined by $3, from $1,076 in FY 1983 to $1,073 for FY 1984.

Number of Disabled Retirees Continues to Decline

The total number of disabled retirees on the roll declined for the second year in a row, by 1.6 percent compared with FY 1983. This rate of decline is slightly greater than the 1.3 percent noted last year. The number of disabled annuitants added to the roll is also less than in FY 1983, down by 2.5 percent. The comparable decline in FY 1983 was 32 percent as discussed below. In 1980 disabled annuitants made up 22.8 percent of those added to the roll. In 1984, only 11.3 percent of those added were disabled.

Part of this decline can be attributed to OPM's improved administration of requirements for disability retirement coupled with provisions of the Omnibus Reconciliation Act of 1982 (P.L. 97-253). Under this law, the applicant's inability to render useful and efficient service must be supported by a preponderance of evidence and applicants must be disabled not only for their current positions but also for other positions in their agencies. This legislation also enables more rigorous evaluations of disabled annuitants to determine if they have recovered from their disabilities. The determination of restoration to earning capacity is based on the earnings of one year rather than two as in the past and the grace period for receipt of annuity after an annuitant is restored has been shortened from one year to six months.

Early in FY 1984 OPM surveyed all disability retirees under age 60, approximately 110,000 persons, using newly developed automated techniques. It was found that 692 had regained earning capacity. Disability benefits in excess of $4.2 million per year were realized by terminating these people, effective June 30, 1984. The number found restored to earning capacity by this annual survey was 115 percent greater than in FY 1983. This first fully automated survey system to be put into operation serves as the prototype for automating other surveys and annuity roll functions.

Marital Status Survey Results in Savings

A second automated survey of all under-age-60 surviving widows and widowers of deceased federal employees and retirees was initiated in the final quarter of FY 1984. Over 640 survivor annuitants reported remarriages, making them ineligible for continued benefits. The annualized value of the terminated annuities for one year alone exceeds $4.2 million.

Savings in Student Children Benefits Follow Procedural Change

Starting in October 1983, OPM eliminated its former practice of making payments to student survivors for up to three months without supporting documentation. This grace period allowed annuitants more time to obtain and submit the required documents but it also resulted in overpayments to people who were, in fact, no longer in school. The cost savings for FY 1984 alone exceeded $2.1 million and similar savings can be expected in future years.

Direct Deposits to a Majority of Annuitants and Survivors Improve Service and Reduce Costs

Retirees and their survivors who request direct electronic deposits of their annuity checks are assured of full credit without the possibility of loss. For the first time since this service was initiated in 1977, OPM authorized more monthly payments by direct deposit than by check. By the end of FY 1984, the number of CSRS annuitants and survivors electing to have their checks deposited electronically was nearly 1 million (990,775) or approximately 55 percent of the annuity roll. This also represents significant direct cost savings for the Government. In 1983, a joint Federal Reserve/Treasury Department report estimated that the unit cost for disbursement by check exceeded the unit cost of direct deposit disbursements by $.129. At this rate, a single month's CSRS disbursements by direct deposit represented a savings of more than $118,000. These savings will grow as both participation in this program and postal rates increase.

Services Increased to Federal Annuitants

The Tax Equity and Fiscal Responsibility Act, which became law on September 2, 1983, requires that Federal tax be withheld from pensions and annuities paid after April 1, 1983, unless the payee specifically requests no withholding be made. Two goals are achieved through this legislation: annuitants no longer need to file quarterly estimated tax returns and revenue is deposited in the Treasury earlier, providing for increased income from investment and interest earnings. As of the end of FY 1984 over one million Federal retirees elected to have Federal tax withheld.

Management innovations have led to increased efficiency and better service to annuitants under this law. First, withholding-request forms are no longer processed manually but with an optical scanner. In addition, annuitants requesting forms receive a computer-generated packet rather than a manually-prepared response. Finally, starting in mid-1983, OPM began notifying payees when their benefits appeared to be taxable. Approximately 13,000 notices are sent out each month.

The processing of these tax election forms is now carried out throughout the year to a far greater extent than previously, with a dramatic effect on workload. During the 1984 tax season (January through May), 88,000 tax election forms were processed compared with 227,000 during this period in 1982. In 1983, fifteen staff people were needed to process these forms. In FY 1984 the work was carried out by only three; other staff continued to work on correspondence. As a result, the typical balance of correspondence on hand during tax season dropped from 20,000 in FY 1983 to 7,000 in FY 1984.

Management Improvements Increase Savings

Computer matching efforts to eliminate waste, fraud and abuse continued in FY 1984. A match with the Office of Workers' Compensation Programs was carried out and overpayments of $4.6 million were discovered. Annual savings are approximately $230,000. In addition, OPM cooperated with the Department of Education, the Department of Housing and Urban Development, the Social Security Administration, the Veterans Administration, the Department of Labor and the unemployment offices of the governments of D.C., Maryland, and Virginia, by providing information from Civil Service Retirement records necessary to eliminate the payment of improper duplicate benefits.

Implementation of a debt management system (DMS) continued in FY 1984. Established in FY 1983, the DMS collects funds owed OPM by Civil Service annuitants and former Federal employees. Starting in October 1983, notification and the collection of funds from former employees and former survivor annuitants no longer on the roll was automated. During FY 1984, $26.4 million was collected from these persons, compared with $24.8 million in FY 1983. In addition, 82 cases were referred to consumer reporting agencies during FY 1984. When fully implemented, the DMS also will include an automated system for charging interest and penalties and the use of commercial debt collection firms.

Legislative and Judicial Changes

The Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 (P.L. 98-168), enacted November 29, 1983, eliminated a potential withholding burden created for many new Federal employees by the Social Security Amendments of 1983 (P.L. 98-21) which had brought many new Federal employees under both Social Security and CSRS coverage. Under P.L. 98-168, most CSRS employees hired after 1983 have only 1.3 percent of their basic pay withheld for CSRS, beginning on their date of employment and continuing until January 1, 1986, or, if earlier, the date on which a new Government retirement system to supplement Social Security is established. Their employing agencies, however, are still required to contribute seven, 7.5 or eight percent of basic pay, as appropriate. The deficiency created by this difference between agency and employee contributions is paid each year by a direct Treasury transfer. The law also includes a provision reducing certain CSRS benefits based on the affected service by Social Security benefits attributable to this service.

COLA provisions for annuitants were modified by the Omnibus Reconciliation Act of 1983 (P.L. 98-270), approved April 18, 1984. Under this law, COLA's are effective December 1 of each year, payable the first business day in January and based on the yearly change in the third calendar quarter's average CPI. As discussed earlier, this Act also eliminated the COLA for Fiscal Year 1984.

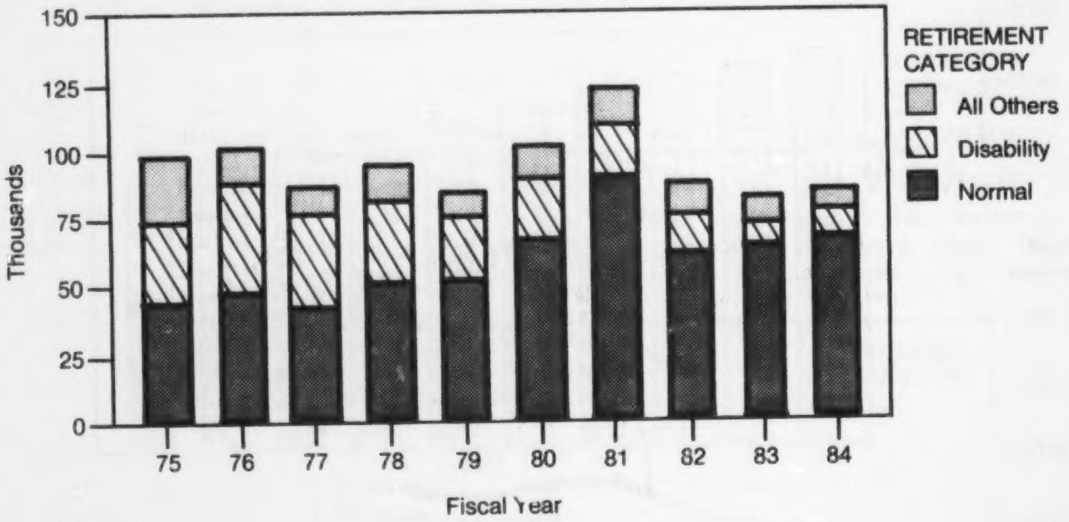
The Second Supplemental Appropriations Act of 1984 (P.L. 98-396), approved August 22, 1984, amended the Omnibus Reconciliation Act of 1982 to provide the same FY 1985 COLA to nondisabled retirees under age 62 that other annuitants receive.

The *Compensation Report* for 1983 noted a court decision affecting disability retirements which has since been reversed. In the case of *Lindahl vs. OPM*, the Court of Appeals for the Federal Circuit had held that voluntary disability retirement decisions of the Merit System Protection Board were final and conclusive and not subject to further review. This was overruled by the Supreme Court on March 20, 1985. Disability applicants now have the right to petition the Court of Appeals to review their cases to determine whether the law was correctly applied.

Statistical Exhibits

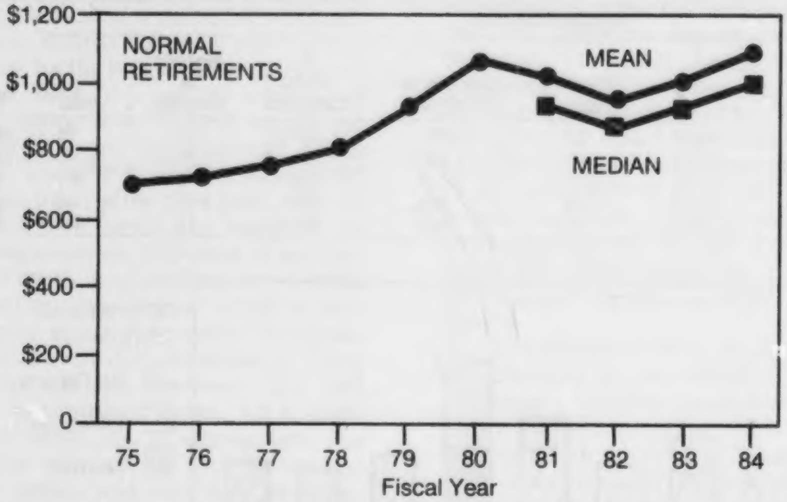
Exhibit R1: Employee Annuitants Added to the Retirement Roll During Fiscal Years 1980 to 1984, by Retirement Category

	Retirement Category									
Fiscal Year	Normal	Disability	Deferred	Involuntary	Voluntary Early	Law Enforce/ Firefighters	Air Traffic Controllers	Members of Congress	Other	TOTAL
1980	68,233	23,243	3,308	5,795	NA	1,197	161	21	1	**101,959**
1981	88,977	19,274	5,639	3,731	1,601	1,242	294	54	1,390	**122,202**
1982	58,933	14,307	4,598	4,109	1,214	1,041	286	5	590	**85,083**
1983	61,605	9,756	4,241	3,063	332	1,019	243	29	439	**80,727**
1984	65,937	9,510	3,600	2,871	400	868	300	11	457	**83,954**

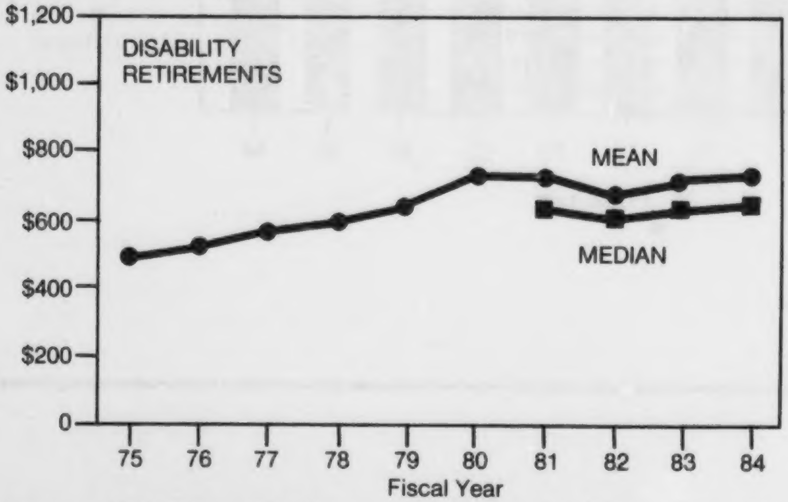


NA: not available
Data Source: annuity roll.
As of Dates: 1975: June 30;
1976-1984: September 30.
Notes: see page 24.

Exhibit R2: Monthly Annuities at End of Fiscal Year for New Annuitants Under Normal and Disability Retirement Provisions, Fiscal Years 1975 to 1984



	75	76	77	78	79	80	81	82	83	84
Mean	$696	$722	$762	$816	$926	$1,067	$1,020	$936	$1,003	$1,083
Median	NA	NA	NA	NA	NA	NA	$940	$874	$937	$1,008

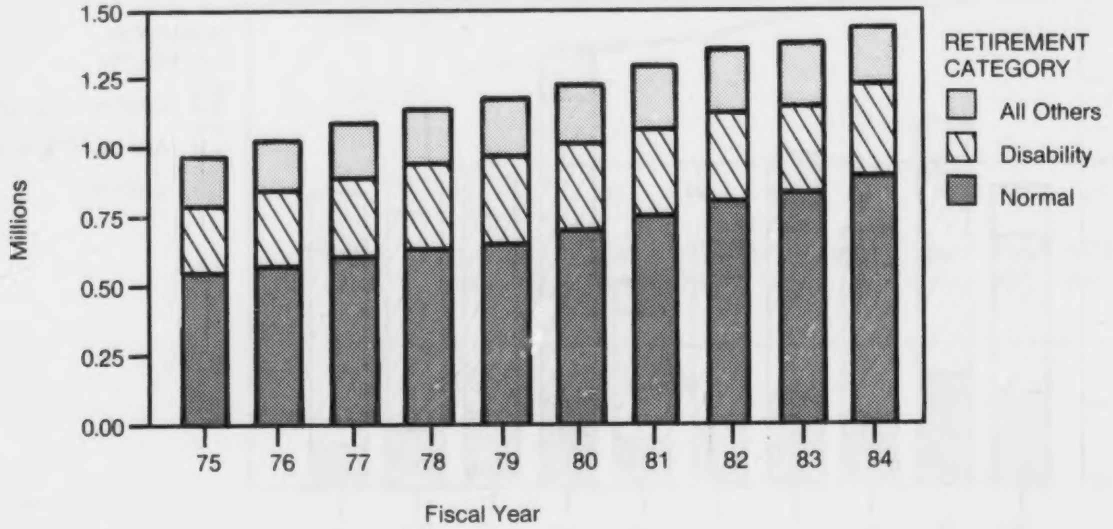


	75	76	77	78	79	80	81	82	83	84
Mean	$502	$538	$578	$602	$656	$753	$733	$676	$722	$741
Median	NA	NA	NA	NA	NA	NA	$648	$619	$647	$656

NA: not available
Data Source: annuity roll.
As of Dates: 1975-1976: June 30;
1977-1984: September 30.
Notes: see page 24.

Exhibit R3: Employee Annuitants On the Retirement Roll by Retirement Category, and Monthly Annuities, as of the Ends of Fiscal Years 1980 to 1984

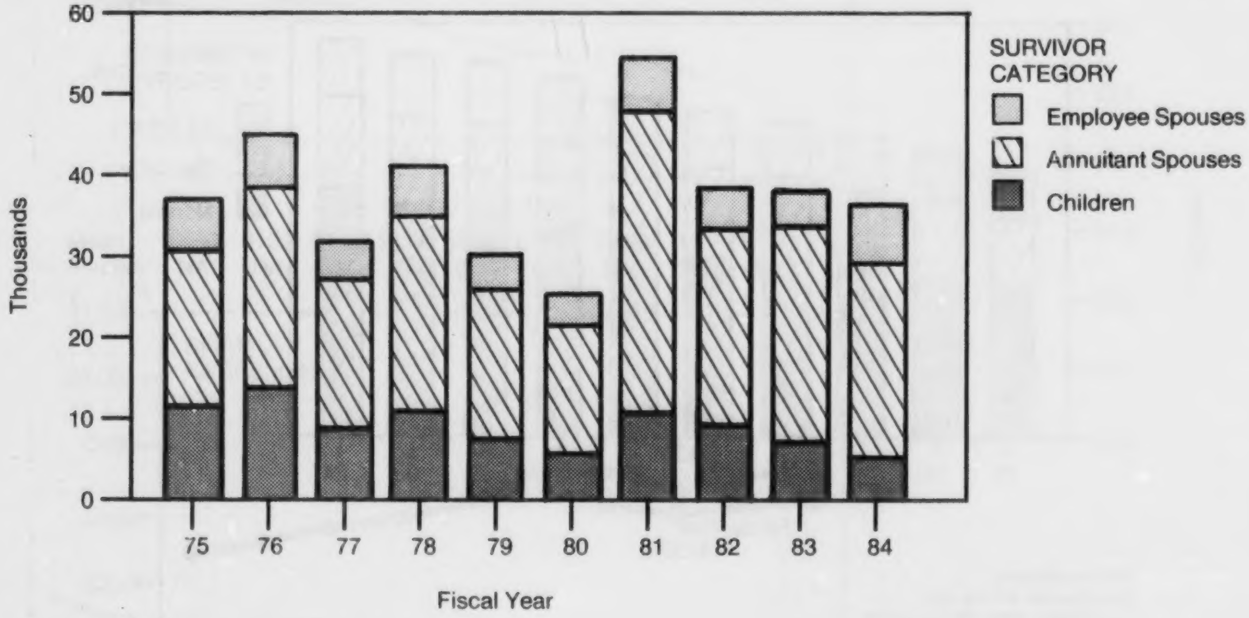
	Retirement Category										Monthly Annuity	
Fiscal Year	Normal	Disability	Deferred	Involuntary	Voluntary Early	Law Enforce/ Firefighters	Air Traffic Controllers	Members of Congress	Other	TOTAL	Mean	Median
1980	681,537	343,251	76,753	128,259	NA	16,937	703	347	99	**1,247,886**	$ 918	NA
1981	738,356	347,600	78,542	97,199	34,979	17,827	987	391	4,658	**1,320,539**	963	$861
1982	769,916	348,068	79,885	99,052	35,731	18,488	1,259	373	4,915	**1,357,687**	1,041	929
1983	804,236	343,457	80,753	99,819	35,593	19,081	1,478	378	3,821	**1,388,616**	1,076	963
1984	837,368	337,871	80,974	101,622	35,489	19,506	1,773	373	5,218	**1,420,194**	1,078	966



NA: not available.
Data Source: annuity roll.
As of Dates: 1975-1976: June 30;
1977-1984: September 30.
Notes: see page 24.

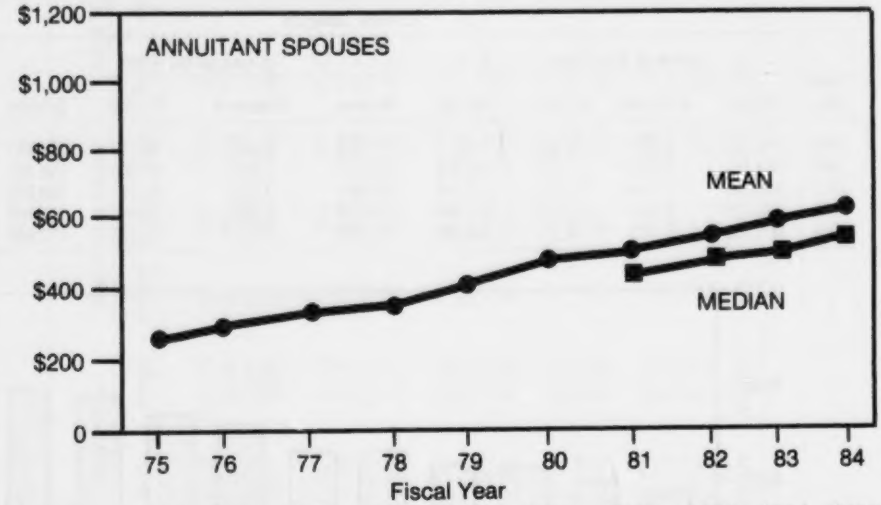
Exhibit R4: Survivor Annuitants Added to the Retirement Roll During Fiscal Years 1980 to 1984, by Survivor Category

	Survivor Category									
	Annuitant Survivors				Employee Survivors					
Fiscal Year	Widows	Widowers	Children	Subtotal	Widows	Widowers	Children	Subtotal	Others	TOTAL
1980	15,228	850	2,856	**18,934**	2,776	268	3,054	**6,098**	48	**25,080**
1981	35,185	1,855	4,743	**41,783**	6,462	681	5,924	**13,067**	68	**54,918**
1982	24,004	1,312	3,686	**29,002**	4,364	552	4,413	**9,329**	49	**38,380**
1983	25,431	1,454	2,945	**29,830**	4,054	571	3,467	**8,092**	61	**37,983**
1984	24,549	1,412	2,302	**28,263**	3,517	419	2,948	**6,884**	39	**35,186**

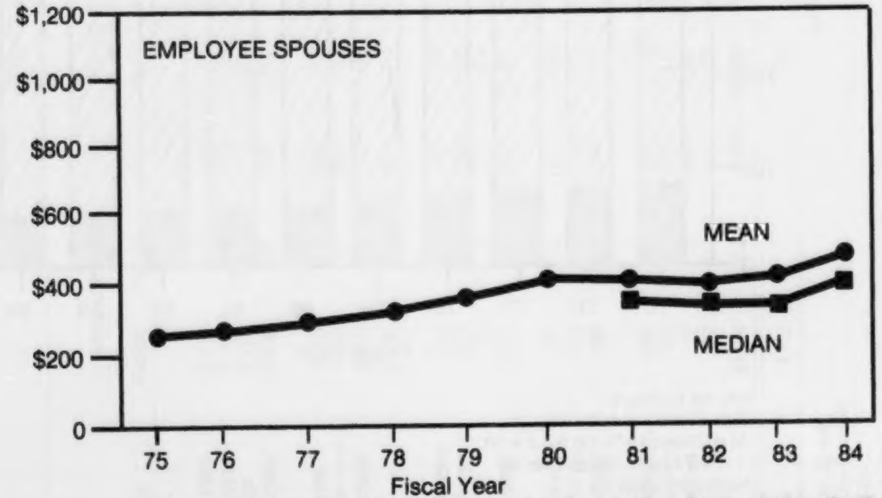


NA: not available.
Data Source: annuity roll.
As of Dates: 1975: June 30;
1976-1984: September 30.
Notes: see page 24.

Exhibit R5: Monthly Annuities at End of Fiscal Year for New Survivor Annuitants, by Survivor Category, Fiscal Years 1975 to 1984



	75	76	77	78	79	80	81	82	83	84
Mean	$285	$323	$357	$383	$432	$501	$526	$582	$604	$616
Median	NA	NA	NA	NA	NA	NA	$459	$502	$528	$542

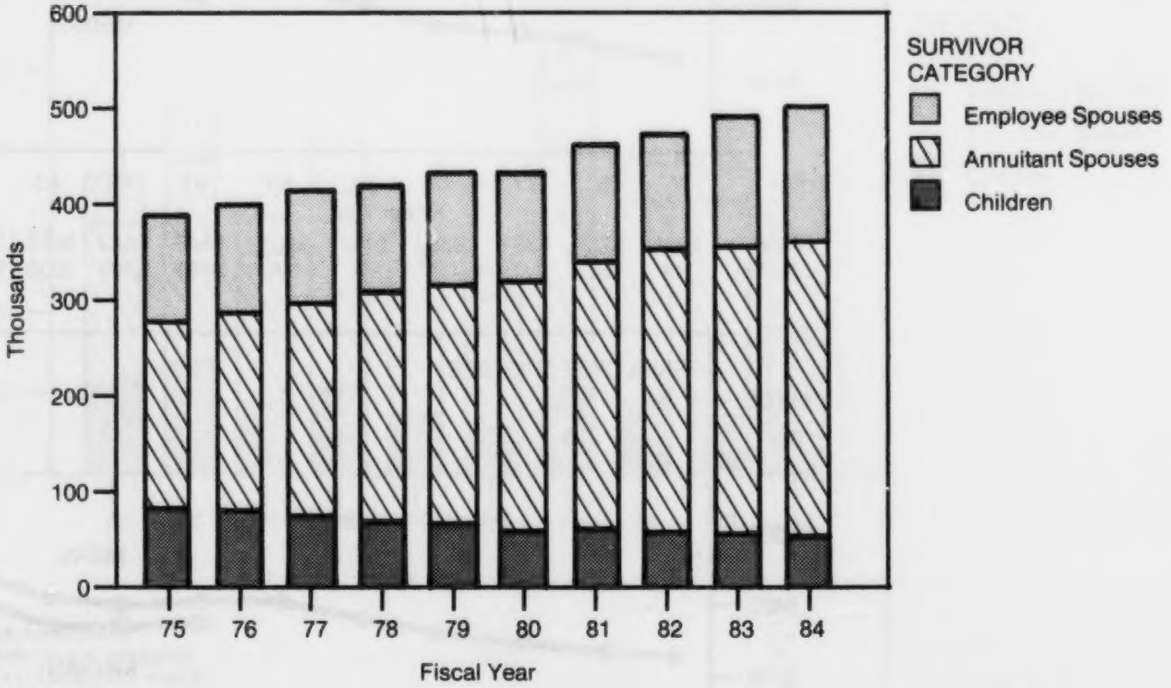


	75	76	77	78	79	80	81	82	83	84
Mean	$278	$297	$322	$357	$400	$443	$433	$427	$452	$479
Median	NA	NA	NA	NA	NA	NA	$374	$367	$368	$407

NA: not available.
Data Source: annuity roll.
As of Dates: 1975-1976: June 30;
1977-1984: September 30.
Notes: see page 24.

Exhibit R6: Survivor Annuitants On the Retirement Roll by Survivor Category, and Monthly Annuities, as of the Ends of Fiscal Years 1980 to 1984

	Survivor Category											
	Annuitant Survivors				Employee Survivors						Monthly Annuity	
Fiscal Year	Widows	Widowers	Children	Subtotal	Widows	Widowers	Children	Subtotal	Others	TOTAL	Mean	Median
1980	246,729	7,651	20,535	**274,915**	111,688	3,446	36,717	**151,851**	686	**427,452**	$392	NA
1981	269,361	8,873	21,375	**299,609**	116,093	3,885	36,303	**156,281**	1,005	**456,895**	419	$350
1982	281,361	9,534	21,591	**312,486**	116,851	4,208	35,193	**156,252**	1,079	**469,817**	463	388
1983	294,959	10,343	20,596	**325,898**	117,754	4,626	32,512	**154,892**	736	**481,526**	486	416
1984	306,663	11,023	19,211	**336,897**	118,023	4,801	29,776	**152,600**	732	**490,229**	501	423



NA: not available.
Data Source: annuity roll.
As of Dates: 1975-1976: June 30;
1977-1984: September 30.
Notes: see page 24.

Exhibit R7: Employee Annuitants Added to the Retirement Roll During Fiscal Year 1984

	Added to Roll			Monthly Annuity		Contributions		Mean Years of Service			Age at ACD		Percent with		
Retirement Category	Number	Percent	Percent Men	Mean	Median	Mean	Median	Military	Civilian	Total	Mean	Median	FEGLI	Health Benefits	Survivor Election
Normal															
Age 55-59/30+ years	22,412	26.7%	86.0%	$1,375	$1,245	$24,338	$22,125	3.5	30.9	34.4	56.5	56	96.6%	88.7%	77.1%
Age 60-61/20+ years	13,104	15.6	70.8	1,066	952	20,857	19,265	2.7	26.5	29.2	60.4	60	96.0	84.1	69.0
Age 62+/5+ years	30,421	36.2	72.6	877	774	18,191	17,213	2.2	22.9	25.1	64.5	64	95.0	81.3	68.1
Subtotal	**65,937**	**78.5**	**76.8**	**1,083**	**1,008**	**20,810**	**19,672**	**2.7**	**26.3**	**29.0**	**60.9**	**61**	**95.7**	**84.4**	**71.3**
Disability															
Not Eligible/Normal	8,255	9.8	68.5	700	632	13,633	12,721	1.5	16.6	18.1	50.2	52	90.5	77.6	61.8
Eligible/Normal	1,255	1.5	84.8	1,008	924	19,366	18,032	2.5	24.9	27.4	61.5	62	96.8	87.8	77.1
Subtotal	**9,510**	**11.3**	**70.7**	**741**	**656**	**14,389**	**13,415**	**1.7**	**17.7**	**19.3**	**51.7**	**53**	**91.3**	**78.9**	**63.8**
Deferred	3,600	4.3	52.3	211	155	5,239	3,987	1.2	12.1	13.3	62.0	62	0.0	0.0	41.8
Involuntary															
Age 50-59/20-24 years	863	1.0	74.7	972	926	22,088	20,487	1.8	20.7	22.5	54.2	54	89.2	80.9	65.0
Less than 60/25+ years	1,973	2.4	83.8	1,260	1,188	25,182	23,709	3.0	25.9	28.9	51.9	52	89.3	85.7	71.7
Other	35	.0	57.1	234	209	7,072	5,792	1.1	8.1	9.2	63.9	63	65.7	42.9	51.4
Subtotal	**2,871**	**3.4**	**80.7**	**1,161**	**1,112**	**24,031**	**22,637**	**2.6**	**24.1**	**26.8**	**52.7**	**53**	**89.0**	**83.7**	**69.4**
Voluntary Early															
Age 50-59/20-24 years	136	0.2	64.0	1,066	1,078	26,078	25,514	1.5	21.2	22.7	53.7	54	94.1	81.6	58.8
Less than 60/25+ years	264	0.3	79.2	1,214	1,157	25,188	22,745	2.7	26.3	29.0	51.8	52	95.1	86.0	65.5
Subtotal	**400**	**0.5**	**74.0**	**1,164**	**1,136**	**25,490**	**23,088**	**2.3**	**24.6**	**26.9**	**52.5**	**52**	**94.8**	**84.5**	**63.2**
Special Provision															
Law Enforce/Firefighters	868	1.0	98.0	1,789	1,714	29,312	28,220	2.5	25.3	27.8	53.7	53	98.3	94.5	87.9
Air Traffic Controllers	300	0.4	100.0	1,911	1,927	35,529	35,960	4.1	26.5	30.6	51.6	51	98.7	97.3	89.3
Members of Congress	11	.0	100.0	1,284	1,181	32,423	32,781	2.8	13.1	15.9	60.9	60	9.1	9.1	100.0
Other	457	0.5	80.3	1,023	921	19,036	17,462	1.4	27.2	28.6	56.3	57	94.5	85.8	70.0
TOTAL	**83,954**	**100.0%**	**75.5%**	**$1,020**	**$951**	**$19,679**	**$18,978**	**2.5**	**24.7**	**27.2**	**59.5**	**60**	**90.9%**	**80.3%**	**69.3%**
Interim Pay Status	8,702			722	638										

Data Source: annuity roll.
As of Date: October 1, 1984.
Notes: see page 24.

Exhibit R8: Employee Annuitants On the Retirement Roll at the End of Fiscal Year 1984

Retirement Category	On Roll		Percent Men	Monthly Annuity		Contributions		Mean Years of Service			Age on 10/01/84		Years On Roll		Percent with		
	Number	Percent		Mean	Median	Mean	Median	Military	Civilian	Total	Mean	Median	Mean	Median	FEGLI	Health Benefits	Survivor Election
Normal																	
Age 55-59/30+ years	296,169	20.9%	85.4%	$1,504	$1,326	$16,457	$15,409	3.2	29.9	33.1	64.3	63	7.8	6.4	97.2%	88.4%	75.2%
Age 60-61/20+ years	171,981	12.1	72.2	1,257	1,105	13,322	12,035	1.9	28.5	30.4	70.4	69	9.5	8.3	96.0	86.3	64.4
Age 62+/5+ years	369,218	26.0	65.4	950	807	11,671	10,242	1.3	23.2	24.5	73.4	73	8.8	7.7	92.8	80.1	58.3
Subtotal	837,368	59.0	73.9	1,209	1,093	13,703	12,458	2.1	26.7	29.0	69.6	68	8.6	7.2	95.0	84.3	65.5
Disability																	
Not Eligible/Normal	269,335	19.0	68.6	788	712	7,531	6,304	1.4	16.9	18.3	61.4	62	11.8	10.5	93.3	76.5	62.2
Eligible/Normal	68,536	4.8	80.5	1,099	1,020	12,004	11,386	2.2	25.1	27.3	70.5	69	9.5	8.3	97.3	87.3	70.2
Subtotal	337,871	23.8	71.0	851	743	8,439	7,161	1.5	18.6	20.1	63.3	63	11.3	9.8	94.1	78.7	63.8
Deferred	80,974	5.7	53.5	243	193	2,778	1,857	0.7	11.7	12.4	73.2	72	12.0	11.0	0.0	0.0	26.0
Involuntary																	
Age 50-59/20-24 years	28,953	2.0	63.4	893	792	9,759	7,577	1.3	21.3	22.6	66.4	67	12.2	12.2	91.2	75.2	60.8
Less than 60/25+ years	70,760	5.0	79.2	1,282	1,133	12,409	10,100	2.7	26.2	28.9	63.8	64	11.1	12.2	93.7	82.3	68.0
Other	1,909	0.1	63.7	281	221	2,897	1,898	0.2	10.2	10.4	84.6	87	16.4	14.6	13.6	55.1	36.5
Subtotal	101,622	7.2	74.4	1,153	1,026	11,475	9,386	2.3	24.5	26.7	65.0	65	11.5	12.2	91.5	79.8	65.4
Voluntary Early																	
Age 50-59/20-24 years	8,178	0.6	54.6	959	842	12,178	9,764	1.7	21.1	22.8	62.9	63	8.7	10.2	95.8	76.9	55.6
Less than 60/25+ years	27,311	1.9	80.5	1,403	1,268	14,126	12,371	3.6	26.0	29.6	61.6	62	9.2	10.3	97.5	84.0	69.5
Subtotal	35,489	2.5	74.5	1,301	1,169	13,677	11,803	3.2	24.9	28.0	61.9	62	9.1	10.3	97.1	82.4	66.3
Special Provision																	
Law Enforce/Firefighters	19,506	1.4	98.0	2,005	1,853	18,417	16,878	2.2	27.2	29.4	63.9	63	9.1	8.1	98.4	95.4	85.8
Air Traffic Controllers	1,773	0.1	99.4	1,879	1,806	27,404	27,062	3.9	26.0	29.9	57.3	56	4.3	3.7	99.1	97.7	86.3
Members of Congress	373	.0	96.5	2,983	2,863	36,554	36,082	1.8	18.8	20.6	72.5	72	9.7	7.8	69.7	64.9	83.1
Other	5,218	0.4	77.0	849	687	11,799	7,759	0.8	27.1	27.9	65.8	62	5.0	4.3	87.8	86.3	60.5
TOTAL	1,420,194	100.0%	72.5%	$1,078	$966	$11,748	$10,327	1.7	24.1	25.8	67.7	67	9.6	8.8	89.2%	78.0%	63.2%
Interim Pay Status	8,463			731	649												

Data Source: annuity roll.
As of Date: October 1, 1984.
Notes: see page 25.

Exhibit R9: Survivor Annuitants Added to the Retirement Roll During Fiscal Year 1984

Survivor Category	Added to Roll		Monthly Annuity		Survivor's Age at Annuity Commencing Date	
	Number	Percent	Mean	Median	Mean	Median
Survivors of Deceased Annuitants						
Widows	24,549	69.8%	$632	$558	66.7	66
Widowers	1,412	4.0	345	315	67.5	68
Others	39	0.1	425	417	NA	NA
Children						
Spouse surviving	1,870	5.3	214	226	16.2	15
No spouse surviving	432	1.2	264	271	20.1	16
Subtotal	**28,302**	**80.4**	**584**	**508**	**NA**	**NA**
Survivors of Deceased Employees						
Widows	3,517	10.0	499	430	50.1	51
Widowers	419	1.2	307	284	53.5	55
Children						
Spouse surviving	2,492	7.1	211	226	12.3	13
No spouse surviving	456	1.3	259	271	11.8	13
Subtotal	**6,884**	**19.6**	**367**	**265**	**NA**	**NA**
Summary of Relationship						
Widows	28,066	79.8	615	542	64.6	65
Widowers	1,831	5.2	336	310	64.3	65
Others	39	0.1	425	417	NA	NA
Children	5,250	14.9	221	226	14.3	14
TOTAL	**35,186**	**100.0%**	**$542**	**$453**	**NA**	**NA**

NA: not applicable.
Data Source: annuity roll.
As of Date: October 1, 1984.
Notes: see page 25.

Exhibit R10: Survivor Annuitants On the Retirement Roll at the End of Fiscal Year 1984

Survivor Category	On Roll		Monthly Annuity		Survivor's Age as of 10/01/84		Survivor's Years on Roll	
	Number	Percent	Mean	Median	Mean	Median	Mean	Median
Survivors of Deceased Annuitants								
Widows	306,663	62.6%	$562	$488	72.5	73	9.1	7.6
Widowers	11,023	2.2	354	327	70.5	71	6.2	5.0
Others	732	0.1	437	375	NA	NA	11.8	10.0
Children								
Spouse surviving	15,569	3.2	217	225	20.8	17	6.2	4.8
No spouse surviving	3,642	0.7	267	271	33.8	28	8.9	6.7
Subtotal	**337,629**	**68.9**	**536**	**453**	**NA**	**NA**	**9.0**	**7.3**
Survivors of Deceased Employees								
Widows	118,023	24.1	477	411	65.1	65	15.1	14.2
Widowers	4,801	1.0	327	303	59.8	61	6.6	6.3
Children								
Spouse surviving	25,937	5.3	218	225	16.3	16	7.3	6.2
No spouse surviving	3,839	0.8	265	271	18.9	16	8.3	6.3
Subtotal	**152,600**	**31.1**	**423**	**337**	**NA**	**NA**	**13.3**	**12.0**
Summary by Relationship								
Widows	424,686	86.6	538	458	70.4	71	10.8	9.1
Widowers	15,824	3.2	346	315	67.3	68	6.3	5.4
Others	732	0.1	437	375	NA	NA	11.8	10.0
Children	48,987	10.0	225	225	19.2	17	7.1	5.8
TOTAL	**490,229**	**100.0%**	**$501**	**$423**	**NA**	**NA**	**10.3**	**8.6**

NA: not applicable.
Data Source: annuity roll.
As of Date: October 1, 1984.
Notes: see page 25.

Exhibit R11: Distribution by Monthly Annuity Rate of Employee and Survivor Annuitants on the Retirement Roll at the End of Fiscal Year 1984

	Employee Annuitants								Survivor Annuitants					
					Nondisability		Disability				Adults		Children	
Monthly Annuity Rate	Number	Percent of Total	Percent Entered Prior to 1969 Law	Percent Men	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Under $100	16,072	1.1%	75.0%	50.4%	15,529	1.4%	543	0.2%	11,229	2.3%	10,524	2.4%	705	1.4%
$100 - $199	51,447	3.6	61.7	50.6	44,935	4.2	6,512	1.9	52,079	10.6	48,869	11.1	3,210	6.6
$200 - $299	48,192	3.4	43.3	49.7	35,509	3.3	12,683	3.8	102,934	21.0	57,862	13.1	45,072	92.0
$300 - $399	54,322	3.8	31.8	49.6	37,513	3.5	16,809	5.0	62,714	12.8	62,714	14.2		
$400 - $499	67,833	4.8	27.2	51.3	42,945	4.0	24,888	7.4	66,861	13.6	66,861	15.2		
Subtotal: Under $500	**237,866**	**16.7**	**42.2**	**50.4**	**176,431**	**16.3**	**61,435**	**18.2**	**295,817**	**60.3**	**246,830**	**55.9**	**48,987**	**100.0**
$500 - $599	87,699	6.2	26.7	53.7	49,204	4.5	38,495	11.4	51,286	10.5	51,286	11.6		
$600 - $699	104,353	7.3	25.4	59.7	57,089	5.3	47,264	14.0	43,370	8.8	43,370	9.8		
$700 - $799	105,350	7.4	21.9	66.7	61,752	5.7	43,598	12.9	26,837	5.5	26,837	6.1		
$800 - $899	105,411	7.4	20.6	70.6	73,366	6.8	32,045	9.5	20,278	4.1	20,278	4.6		
$900 - $999	101,971	7.2	15.3	74.6	78,674	7.3	23,297	6.9	13,618	2.8	13,618	3.1		
Subtotal: Under $1000	**742,650**	**52.3**	**28.4**	**60.6**	**496,516**	**45.9**	**246,134**	**72.8**	**451,206**	**92.0**	**402,219**	**91.2**		
$1000 - $1199	204,517	14.4	14.1	80.9	169,114	15.6	35,403	10.5	16,587	3.4	16,587	3.8		
$1200 - $1399	137,974	9.7	12.7	82.9	117,968	10.9	20,006	5.9	9,131	1.9	9,131	2.1		
$1400 - $1599	94,887	6.7	12.7	84.8	82,040	7.6	12,847	3.8	5,505	1.1	5,505	1.2		
$1600 - $1799	66,139	4.7	11.6	87.2	57,968	5.4	8,171	2.4	3,395	0.7	3,395	0.8		
$1800 - $1999	45,182	3.2	10.6	89.1	40,144	3.7	5,038	1.5	1,956	0.4	1,956	0.4		
Subtotal: Under $2000	**1,291,349**	**90.9**	**21.8**	**70.3**	**963,750**	**89.0**	**327,599**	**97.0**	**487,780**	**99.5**	**438,793**	**99.4**		
$2000 - $2199	33,273	2.3	10.2	90.8	29,887	2.8	3,386	1.0	1,194	0.2	1,194	0.3		
$2200 - $2399	24,620	1.7	10.0	92.8	22,385	2.1	2,235	0.7	587	0.1	587	0.1		
$2400 - $2599	19,087	1.3	9.1	94.0	17,497	1.6	1,590	0.5	325	0.1	325	0.1		
$2600 - $2799	14,263	1.0	8.3	94.9	13,167	1.2	1,096	0.3	178	.0	178	.0		
$2800 - $2999	11,128	0.8	8.1	96.1	10,392	1.0	736	0.2	85	.0	85	.0		
Subtotal: Under $3000	**1,393,720**	**98.1**	**20.9**	**72.0**	**1,057,078**	**97.7**	**336,642**	**99.6**	**490,149**	**100.0**	**441,162**	**100.0**		
$3000 - $3499	16,539	1.2	7.1	96.5	15,631	1.4	908	0.3	67	.0	67	.0		
$3500 - $3999	6,609	0.5	6.0	97.2	6,361	0.6	248	0.1	10	.0	10	.0		
$4000 - $4499	2,263	0.2	5.9	96.8	2,200	0.2	63	.0	3	.0	3	.0		
$4500 - $4999	720	0.1	5.8	96.9	711	0.1	9	.0	0	0.0	0	0.0		
$5000 and over	343	.0	2.6	95.4	342	.0	1	.0	0	0.0	0	0.0		
TOTAL	**1,420,194**	**100.0%**	**20.6%**	**72.5%**	**1,082,323**	**100.0%**	**337,871**	**100.0%**	**490,229**	**100.0%**	**441,242**	**100.0%**	**48,987**	**100.0%**

Data Source: annuity roll.
As of Date: October 1, 1984.

Exhibit R12: Age Distribution of Employee and Survivor Annuitants on the Retirement Roll, and Monthly Annuities, at the End of Fiscal Year 1984

	Employee Annuitants								Survivor Annuitants							
	Nondisability Retirements				Disability Retirements				Adults				Children			
	On Roll		Monthly Annuity		On Roll		Monthly Annuity		On Roll		Monthly Annuity		On Roll		Monthly Annuity	
Age Category	Number	Percent	Mean	Median	Number	Percent	Mean	Median	Number	Percent	Mean	Median	Number	Percent	Mean	Median
Under 19									6	.0%	$377	$392	32,877	67.1%	$221	$225
19-22									9	.0	230	197	8,378	17.1	228	225
23-29					148	.0%	$486	$454	366	0.1	330	316	1,563	3.2	231	225
30-34					1,455	0.4	569	570	1,168	0.3	370	345	1,359	2.8	233	225
35-39	1	.0%	$1,035	$1,035	4,956	1.5	667	646	2,353	0.5	423	379	1,190	2.4	234	225
40-44	48	.0	948	932	7,153	2.1	715	678	4,346	1.0	467	410	841	1.7	239	225
45-49	1,249	0.1	1,052	982	12,063	3.6	752	701	8,499	1.9	477	420	716	1.5	243	225
50-54	11,079	1.0	1,300	1,229	26,199	7.8	800	726	17,731	4.0	501	434	634	1.3	247	236
55-59	95,792	8.9	1,358	1,229	52,014	15.4	862	765	38,189	8.7	534	464	629	1.3	250	269
60-64	243,927	22.5	1,234	1,127	85,635	25.3	924	805	62,636	14.2	562	483	489	1.0	255	270
65-69	273,208	25.2	1,150	1,050	69,264	20.5	918	798	68,552	15.5	576	492	200	0.4	257	271
70-74	200,652	18.5	1,136	1,025	43,127	12.8	836	727	72,029	16.3	569	491	65	0.1	261	273
75-79	132,282	12.2	1,082	961	20,335	6.0	760	652	65,176	14.8	542	460	37	0.1	253	273
80-84	70,769	6.5	959	854	8,864	2.6	633	562	53,815	12.2	491	438	7	.0	241	273
85-89	38,176	3.5	853	768	5,054	1.5	562	502	32,084	7.3	451	403	2	.0	207	207
90-94	12,850	1.2	728	643	1,428	0.4	482	438	11,190	2.5	408	351				
95-99	2,089	0.2	655	560	168	.0	454	383	2,316	0.5	366	278				
100 and over	201	.0	632	557	8	.0	455	373	420	0.1	372	273				
Age Unknown									357	0.1	388	310				
TOTAL	**1,082,323**	**100.0%**	**$1,149**	**$1,053**	**337,871**	**100.0%**	**$851**	**$743**	**441,242**	**100.0%**	**$531**	**$453**	**48,987**	**100.0%**	**$225**	**$225**
62 and over	897,412	82.9	1,109	1,006	202,329	59.9	865	755	345,584	78.3	535	455	576	1.2	256	271
65 and over	730,227	67.5	1,091	984	148,248	43.9	839	730	305,582	69.3	531	450	311	0.6	257	273
Mean Age	69.0				63.3				70.3				19.2			
Median Age	68				63				71				17			

Data Source: annuity roll.
As of Date: October 1, 1984.
Notes: see page 25.

Exhibit R13: Geographic Distribution of Employee and Survivor Annuitants On the Retirement Roll at the End of Fiscal Year 1984 and Annuities Paid for October 1984

($000)

			Employee Annuitants		Survivor Annuitants	
Residence	**Total Number on Roll**	**Total Monthly Annuities**	**Number on Roll**	**Monthly Annuities**	**Number on Roll**	**Monthly Annuities**
States						
Alabama	40,467	$ 36,962	29,974	$ 32,114	10,493	$ 4,848
Alaska	4,083	4,459	3,306	4,022	777	437
Arizona	32,805	31,842	25,565	28,039	7,240	3,803
Arkansas	18,858	16,421	14,162	14,248	4,696	2,173
California	207,851	191,436	155,745	166,238	52,106	25,198
Colorado	31,237	29,725	24,307	26,236	6,930	3,489
Connecticut	12,101	10,863	8,606	9,061	3,495	1,802
Delaware	3,844	3,607	2,790	3,062	1,054	545
District of Columbia . .	48,519	48,658	37,858	43,107	10,661	5,551
Florida	132,244	134,724	101,527	118,132	30,717	16,592
Georgia	49,568	43,890	36,633	37,849	12,935	6,041
Hawaii	17,294	18,801	13,982	17,025	3,312	1,776
Idaho	7,680	7,058	5,993	6,239	1,687	819
Illinois	55,445	48,115	39,953	40,504	15,492	7,611
Indiana	26,965	22,083	19,612	18,697	7,353	3,386
Iowa	16,445	13,527	11,746	11,290	4,699	2,237
Kansas	19,232	16,409	14,246	14,028	4,986	2,381
Kentucky	24,331	19,590	17,614	16,610	6,717	2,980
Louisiana	20,779	18,185	15,180	15,414	5,599	2,771
Maine	10,768	9,191	7,786	7,794	2,982	1,397
Maryland	92,926	109,282	70,277	95,139	22,649	14,143
Massachusetts	48,456	41,683	33,884	34,535	14,572	7,148
Michigan	29,442	25,984	21,651	22,073	7,791	3,911
Minnesota	21,410	18,949	15,819	16,027	5,591	2,922
Mississippi	17,738	15,392	12,940	13,107	4,798	2,285
Missouri	39,670	35,501	29,645	30,443	10,025	5,058
Montana	7,515	6,889	5,816	6,028	1,699	861
Nebraska	11,265	9,932	8,246	8,409	3,019	1,523
Nevada	8,865	8,574	7,082	7,705	1,783	869
New Hampshire	9,392	8,379	6,710	7,100	2,682	1,279
New Jersey	49,474	47,129	35,270	39,730	14,204	7,399
New Mexico	17,323	16,492	13,659	14,676	3,664	1,816
New York	103,061	86,154	72,522	71,672	30,539	14,482
North Carolina	35,884	31,747	26,492	27,355	9,392	4,392
North Dakota	4,161	3,438	3,104	2,929	1,057	509
Ohio	58,314	54,714	42,545	46,704	15,769	8,010
Oklahoma	39,317	33,881	29,823	29,629	9,494	4,252
Oregon	23,454	22,238	18,086	19,479	5,368	2,759
Pennsylvania	92,078	82,224	67,086	69,934	24,992	12,290
Rhode Island	10,074	8,525	7,282	7,238	2,792	1,287
South Carolina	25,392	23,060	18,434	19,735	6,958	3,325
South Dakota	6,253	5,069	4,693	4,375	1,560	694
Tennessee	27,063	24,513	19,624	20,877	7,439	3,636
Texas	109,129	98,367	81,432	85,296	27,697	13,071
Utah	23,755	21,745	18,561	19,315	5,194	2,430
Vermont	3,092	2,796	2,218	2,331	874	465
Virginia	104,586	118,713	77,981	103,223	26,605	15,490
Washington	49,716	45,829	37,440	39,979	12,276	5,850
West Virginia	10,342	8,839	7,767	7,630	2,575	1,209
Wisconsin	18,854	15,807	13,903	13,355	4,951	2,452
Wyoming	3,618	3,139	2,751	2,731	867	408
TOTAL	**1,882,135**	**1,760,530**	**1,399,328**	**1,518,468**	**482,807**	**242,062**
Territories	**9,509**	**6,961**	**7,548**	**6,139**	**1,961**	**822**
Foreign Countries	**28,801**	**14,611**	**21,170**	**12,151**	**7,631**	**2,460**
GRAND TOTAL	**1,920,445**	**$1,782,102**	**1,428,046**	**$1,536,758**	**492,399**	**$245,344**

Data Source: annuity roll.
As of Date: October 1, 1984.
Note: see page 25.

I. General Notes

Definitions of Annuitants

- An ANNUITANT ADDED TO THE RETIREMENT ROLL for a given fiscal year is defined here as a person associated with a Civil Service Retirement (CSR) claim (1) for which funds were paid out during the fiscal year and (2) which was issued during the fiscal year (see Time Frame note below). An individual whose claim meets these criteria is counted even if his or her claim was dropped from the roll by the end of the fiscal year. (Exhibits R1, R2, R4, R5, R7, and R9.)
- An ANNUITANT ON THE RETIREMENT ROLL for a given fiscal year is defined here as a person associated with a CSR claim (1) for which funds were paid out during the fiscal year and (2) which was not dropped from the roll by the end of the fiscal year. An individual whose claim meets these criteria is counted even if payments for the claim have been suspended. (Exhibits R3, R6, R8, R10, R11, R12, and R13.)
- For both the ADDED and the ON ROLL groups, annuitants whose claims are being paid on an estimated basis pending final determination of their benefits are labeled INTERIM PAY annuitants. These individuals are counted separately and are not included in the Total lines.

Annuity Commencing Date (ACD)

- Beginning on October 1, 1982, the annuity commencing date for an employee annuitant added to the NORMAL, VOLUNTARY EARLY, or SPECIAL PROVISIONS retirement categories generally is the first day of the month following the month that included the retirement date. Previously it generally was defined as the day following the retirement date.
- For all remaining categories of employee and survivor annuitants, the definitions of ACD are unchanged. For DISABILITY and INVOLUNTARY employee annuitants, ACD remains generally the day following the retirement date. ACD for DEFERRED employee annuitants generally is the day after the individual's 62nd birthday. For all SURVIVOR annuitants, ACD generally is the day following the date of death of the employee or annuitant they survive.

Time Frame

- For this report, the FISCAL YEAR OF ISSUE of the retirement claim, not the annuity commencing date, determines the fiscal year in which an annuitant added to the retirement roll is included. Thus, an annuitant added to the retirement roll may have an annuity commencing date prior to the fiscal year which defines the report. This same time frame definition was used in prior U.S. Civil Service Retirement System annual reports.
- An annuitant added to the retirement roll whose claim is in interim pay status at the end of one fiscal year and whose final benefit is determined during the next fiscal year is counted as an annuitant added to the retirement roll in both years, first in interim pay status, then in a final benefit category.

Categories of Retirement

Employee Annuitants **Added** to the Retirement Roll

- All of the retirement categories for employee annuitants added to the retirement roll are available under current law.
- The NORMAL retirement categories are defined by minimum years of service for a given attained age. Thus a NORMAL annuitant, age 62 and with 30 years of service, is classified as age 62+/5+. By these definitions no one age 60 or above is included in the 55-59/30+ category and no one over age 61 is in the 60-61/20+ group. In U.S. Civil Service Retirement System annual reports prior to Fiscal Year 1983, NORMAL retirement categories were labeled OPTIONAL.

- VOLUNTARY EARLY retirements are identified here as a separate set of categories. In annual reports prior to 1981, these were combined with INVOLUNTARY retirements.
- Annuitants added to the retirement roll not in interim pay status who fit in no other category are placed in SPECIAL PROVISION—OTHER. These include Panama Canal, Bureau of Indian Affairs, and Comptroller of Currency retirees. In annual reports prior to 1981, these individuals were included in the NORMAL—age 55-59/30+ years of service category and the OTHER category included only transfers from other retirement systems.
- INTERIM PAY annuitants are those whose claims are being paid on an estimated basis pending final determination of their status. These individuals are not included in the exhibits' Total lines. In reports prior to 1981, these annuitants were not counted. Consistent with our definition of annuitants, INTERIM PAY ADDS include subsequent drops but the INTERIM PAY ON ROLL count does not. (Exhibits R1, R2, and R7.)

Employee Annuitants **On** the Retirement Roll

- With one exception, all the notes for the employee annuitants added to the retirement roll also apply here. The difference is that individuals who retired under provisions which are no longer available under current law are included in some of the ON ROLL categories of retirement. Specifically, retirees under NORMAL 60-61/30+ are combined with NORMAL 60-61/20+ and those who retired under either NORMAL 62+/15+ or MANDATORY are included in NORMAL 62+/5+. In annual reports prior to Fiscal Year 1983, these lapsed categories of retirement were reported separately. (Exhibits R3, R8, R11, R12 and R13.) Changes in retirement law provisions are summarized on page 34.

Categories of Survivor Annuitants

- Categories for both survivor annuitants added to the retirement roll and survivor annuitants on the retirement roll are defined in terms of the relationship of the survivor to the deceased employee or annuitant. (Exhibits R4, R5, R6, R9, R10, R11, R12, and R13.)

Age

- For annuitants added to the retirement roll, AGE is defined here as age at last birthday (whole years) as of the annuity commencing date of the annuitant. (Exhibits R1, R2, R4, R5, R7, and R9.)
- For annuitants on the retirement roll, AGE is defined here as age at last birthday (whole years) as of the end of the fiscal year. (Exhibits R3, R6, R8, R10, R11, R12, and R13.)

Service

- For this report, SERVICE is defined as the figure actually used to compute the annuity amount rather than the figure used to determine entitlement. Generally, for annuity computation, creditable service is employment in the performance of a Federal function under the authority of an Act of Congress or Executive Order and under the supervision of a Federal Officer. (Exhibits R7, R8, R9, and R10.)

FEGLI

- Federal Employees' Group Life Insurance coverage. (Exhibits R7 and R8.)

Rounding

- Due to rounding, columns and rows may not add exactly to totals. (Exhibits R7, R8, R9 and R10.)

II. Exhibit Notes

Exhibit R1

- The ALL OTHERS group on the graphic display includes DEFERRED, INVOLUNTARY, VOLUNTARY EARLY, LAW ENFORCEMENT/ FIREFIGHTERS, AIR TRAFFIC CONTROLLERS, MEMBERS OF CONGRESS, and the OTHER categories appearing in the table above the graph. OTHER is defined as is SPECIAL PROVISION—OTHER in the General Notes.
- Data for the Transition Quarter (July-September 1976) are included in the Fiscal Year 1976 totals.

Exhibit R2

- Mean and median annuity amounts are as of the end of the fiscal year, not as of the annuity commencing date. Therefore some COLA adjustments are included in years in which COLA's were applied.

Exhibit R3

- The ALL OTHERS group in the graphic display includes DEFERRED, INVOLUNTARY, VOLUNTARY EARLY, LAW ENFORCEMENT/ FIREFIGHTERS, AIR TRAFFIC CONTROLLERS, MEMBERS OF CONGRESS, and the OTHER categories appearing in the table above the graph. OTHER is defined as is SPECIAL PROVISION—OTHER in the General Notes.

Exhibit R4

- The OTHERS category historically includes Insurable Interest and Unspecified Relationship cases. Beginning in FY 1983, Unspecified Relationship cases were assigned to their most probable survivor category. See Exhibit R9 notes.
- The division of the total number of surviving spouses for the Transition Quarter (July-September 1976) into the "Employee Spouses" and "Annuitant Spouses" categories is estimated on the basis of Fiscal Year 1976 proportions in these groups. The Transition Quarter data are included in the Fiscal Year 1976 totals.

Exhibit R5

- Mean and median annuity amounts are as of the end of the fiscal year, not as of the annuity commencing date. Therefore some COLA adjustments are included in years in which COLA's were applied.

Exhibit R6

- The OTHERS category historically includes Insurable Interest and Unspecified Relationship cases. Beginning in FY 1983, Unspecified Relationship cases were assigned to their most probable survivor category. See Exhibit R9 notes.

Exhibit R7

- Mean and median annuity amounts are as of the end of the fiscal year, not as of the annuity commencing date. Therefore some COLA adjustments are included in years in which COLA's were applied.
- Monthly annuities for INTERIM PAY annuitants are estimated pending final determination. Other statistics are not yet available.
- Employee annuitants added to the retirement roll with unspecified annuity type are included in the most probable category, "Life with Survivor Election."
- Only employee annuitants added to the retirement roll with sex code "Male" are counted in the Percent Men column. The remaining percentages include unspecified cases.
- The average age for employee annuitants with deferred retirements is less than 62 because one type of deferred retirement is available to certain persons 55 years of age.
- Persons included in the category INVOLUNTARY—OTHER were classified as NORMAL—Age 62+/5+ in previous years.

Exhibit R8

- Monthly annuities for INTERIM PAY annuitants are estimated, pending final determination. Other statistics are not yet available.
- Starting with Fiscal Year 1983, several prior retirement categories for retirees with NORMAL retirements were collapsed as follows: persons formerly included under Age 60-61/30+ years of service were included under Age 60-61/20+ years of service; persons formerly included under NORMAL—62+/15+ and MANDATORY—70+/15+ were included under NORMAL—62+/5+ years of service.

Exhibit R9

- Survivor annuitants added to the retirement roll with missing or invalid decedent information are included in the most probable category, "Survivors of Annuitants." Added survivor annuitants with missing or invalid relationship information are counted in the most likely group, "Widows."
- Mean and median annuity amounts are as of the end of the fiscal year, not as of the annuity commencing date. Therefore some COLA adjustments are included in years in which COLA's were applied.

Exhibits R9 and R10

- The certification process for survivor children staying in school was modified during FY 1984, resulting in a large number of ineligibles as of the end of the fiscal year. Most of these individuals ultimately will be restored to the roll. Therefore, the "Children" category includes approximately 850 children who would not have been included under last year's methodology. This procedure introduces an overestimate, but a smaller distortion than would result from excluding these cases altogether.
- Starting with Fiscal Year 1983, survivor annuitants added to the retirement rolls with missing or invalid decedent information are included in the most probable category, "Survivors of Annuitants." Added survivor annuitants with missing or invalid relationship information are counted in the most likely group, "Widows."
- The OTHERS category consists of Insurable Interest cases. Survivor annuities were elected for these individuals by employee annuitants who were unmarried and in good health when they retired. These persons, usually close relatives of deceased annuitants, have shown that they reasonably could have expected some financial benefit from the continuing lives of the employee annuitants they survive.

Exhibit R12

- For FY 1984, no employee annuitants on the retirement roll had unspecified or invalid ages. (1984: n=0)
- Survivor annuitants on the retirement roll with unspecified or invalid ages are counted in the "Age Unknown" category. (1984: n=357) These are adult survivors whose ages do not affect their annuities.

Exhibit R13

- Totals for this exhibit are greater than those for other exhibits pertaining to annuitants because this exhibit is part of a set of geographic distributions generated by a different reporting system. Specifically, these geographic counts include annuitants for whom no funds were paid out during the year.

Financial Statements

The accompanying financial statements are fully annotated in accordance with the guidelines set forth by the Financial Accounting Standards Board (FASB) for accounting and reporting by defined benefit pension plans. However, to be consistent with Treasury Department reports, the cost method is used for investment reporting rather than the fair value method (see Note B(1)). The actuarial estimates presented in this report are determined by use of accepted actuarial principles.

In January 1985, the Board of Actuaries of the CSRS, which is appointed under section 8347(f) of Title 5, United States Code, released the results of its September 30, 1982, valuation of the CSRS. Based upon the extensive actuarial studies conducted as part of their valuation, demographic assumptions for death, disability, withdrawal, and retirement were changed. Some of the major changes are as follows:

- Nondisability mortality rates decreased and fewer remarriages of survivors before age 60 were found; both result in benefits being paid for a longer period of time. These two changes increased the CSRS's normal cost by one percent of pay.
- Disability and involuntary retirement rates dropped dramatically (approximately 50 percent), reducing the CSRS's normal cost by 0.6 percent of pay.
- Withdrawal rates decreased dramatically, especially for women, increasing the CSRS's normal cost by 3.5 percent of pay.

The net effect of all changes in demographic assumptions was to increase the CSRS's normal cost by 3.5 percent of pay. However, the real interest rate assumption was increased from one percent to 1.5 percent, causing a reduction in the CSRS's normal cost of 5.1 percent of pay. Thus, the net effect of changing both economic (interest rate) and demographic assumptions was to decrease the Plan's normal cost by 1.6 percent of pay. The preceding changes in assumptions also decreased the actuarial present value of accumulated Plan benefits by $3.4 billion and the dynamic unfunded actuarial accrued liability by $4.9 billion; both decrements are as of September 30, 1984. The accompanying financial statements reflect the impact of the new CSRS actuarial valuation. See Exhibit R17 for comparative data.

The status of the CSRS is also reported annually under the provisions of Public Law 95-595. This law requires Federal pension plans to report under Employee Retirement Income Security Act (ERISA) standards, including identification of the plan's normal cost and any actuarial unfunded accrued liability. The actuarial present value of accumulated Plan benefits shown in the accompanying statements and in the P.L. 95-595 Annual Report are identical; however, the P.L. 95-595 Report also includes a projection of the additional benefits that will accrue to current employees by virtue of their future service and salary increases. The P.L. 95-595 Report projects, in addition, future income and uses both projections to determine the unfunded liability of the CSRS. That Report projects the future benefits of $1,033.6 billion against future income of $366.8 billion and net assets, at fair market value, of $124.7 billion to arrive at a "dynamic" unfunded liability of $542.1 billion, as of September 30, 1984. Exhibit R16, Actuarial Status Information as of End of Plan Year, on page 36, delineates the different methodologies used to compute the actuarial present value of the accumulated Plan benefits, shown in Financial Statement R-III, and the "dynamic" unfunded liability projected by the P.L. 95-595 Report.

It should be noted that the FASB is considering changing its pension reporting standards and issued a proposed statement of financial accounting standards on this subject in March 1985. The proposed standard recommends that the impact of future salary increases be taken into consideration in computing the actuarial present value of accumulated plan benefits. If this new computational method were applied to the CSRS, the actuarial present value of accumulated

Plan benefits would increase from $537.0 billion, as reported in Financial Statement R-III, to $688.1 billion as of September 30, 1984.

As explained in Note C of the Notes to Financial Statements, current funding policy requires that a "statutory" unfunded liability be computed to serve as the basis for an interest payment from the Treasury. This statutory liability is based on static assumptions; that is, it ignores the effects of future inflation and assumes a real interest rate of five percent. In this calculation, several other direct Treasury transfer payments are also subtracted from the computed amount and investments are presented at cost rather than fair market value. At the end of FY 1984, the statutory unfunded liability was $190.6 billion.

The normal cost of the CSRS can be computed on either a "static" or a "dynamic" basis. The P.L. 95-595 Report reflects the "dynamic" normal cost which includes future inflation and salary increases; under that calculation, the normal cost of current CSRS benefits is 34.9 percent. Current payroll deductions, based on a "static" normal cost (which ignores future annuity and salary increases), are set at 14 percent of payroll.

GLOSSARY OF FINANCIAL AND ACTUARIAL TERMS

Net Assets Available for Benefits—The current amount set aside to pay CSRS benefits ($125.3 billion as of September 30, 1984). It is computed by taking the difference between the Fund's assets ($127.2 billion as of September 30, 1984) and its nonactuarial liabilities ($1.9 billion as of September 30, 1984).

Normal Cost—The estimated level percentage of pay that would have to be contributed for a typical group of new employees over their entire working careers in order to pay for all of their CSRS retirement benefits (34.9 percent as of September 30, 1984). The percentage is calculated as follows:

$$\text{Normal Cost Percentage} = \frac{\text{Present Value of Future Benefits}}{\text{Present Value of Future Salaries}}$$

Actuarial Present Value of Accumulated Plan Benefits—The estimated amount of CSRS benefits payable as of the valuation date calculated in accordance with FASB No. 35 standards ($537 billion as of September 30, 1984). These standards require the use of actuarial assumptions that reflect the time value of money (through discounts for interest), annuity inflation, and the probability of payment (by means of decrements for death, disability, withdrawal, or retirement). The computation does not take into consideration salary inflation, unlike the computation of the CSRS's actuarial present value of future benefits.

Actuarial Present Value of Future Benefits—The estimated CSRS benefit amounts expected to be paid in the future to current employees and annuitants ($1,033.6 billion as of September 30, 1984), taking into account the concept of present value and relying on a number of economic and demographic actuarial assumptions. Economic assumptions used in the 1984 valuation are: (1) rate of return on Plan investments—6.5 percent; (2) annuity inflation—five percent; and (3) salary inflation—5.5 percent. Demographic assumptions are based on extensive studies of experience under the CSRS and estimate the probability of payment by means of decrements for death, disability, withdrawal, or retirement.

Unfunded Liability—This term can be associated with several different actuarial estimates. For purposes of this report, the following unfunded liability estimates are discussed:

- **Dynamic Unfunded Actuarial Accrued Liability**—The balance remaining (unfunded—$542.1 billion as of September 30, 1984) after subtracting the CSRS's net assets available for benefits and present value of future normal costs (income) from the CSRS's actuarial present value of future benefits. The accompanying pie chart and bar chart of historical data illustrate this breakdown.
- **Statutory Unfunded Liability**—This actuarial estimate is computed in a manner similar to that used to compute the dynamic unfunded liability except that "static" economic assumptions are used (i.e., annuity and salary inflation are assumed to be zero in all future years and the rate of return on Plan investments is five percent), and the computed amount is net of the remaining 30-year amortization payments mandated by P.L. 91-93 and of benefits attributable to military service.

Under the "dynamic" assumptions in the P.L. 95-595 Report, the unfunded liability for FY 1984 is somewhat higher than in FY 1983: $542.1 billion, up from $527.5 billion (based on new actuarial assumptions). The statutory unfunded liability based on static assumptions, on the other hand, declined from $193.7 billion to $190.6 billion for this period, as inconsistency arose for reasons related to differences in how actual experience affected the assumptions incorporated in the calculations from which the two estimates are derived. While the mechanisms used to compute the two estimates are similar, and both include assumptions concerning returns on invested assets, the calculation for the P.L. 95-595 Report recognizes inflation through assumptions for annual COLA increases (five percent) and for future salary increases (5.5 percent). The statutory unfunded liability does not.

Actual experience in these areas can produce actuarial gains or losses which affect estimates of these liabilities as of a given point in time. An actuarial gain or loss occurs when forecasted future events do not happen exactly as predicted. For example, an actuarial gain occurs when assets earn a higher rate of return than predicted. Examples of actuarial losses would include general pay increases or COLA's larger than predicted. Actuarial losses increase the unfunded liability and actuarial gains decrease it.

For FY 1984, actuarial gains experienced in respect to the "static" statutory calculation were large enough to make the unfunded liability go down. Specifically, the actuarial gain resulting from the 10.9 percent rate of return on CSRS net assets (versus the actuarial assumption of five percent) more than offset minor losses, and the statutory unfunded liability went down. However, these same net gains were not enough to make the "dynamic" unfunded liability go down because the statutory contribution is much less than the minimum contribution needed to keep the dynamic unfunded liability at the same amount (i.e., the dynamic normal cost, which is much larger than the static normal cost, plus 6.5 percent interest (not five percent interest) on the dynamic unfunded liability).

Both unfunded liability figures are calculated pursuant to statutory requirements and both are accurate. However, only the "dynamic" calculation takes into account the effect of future inflation on salary and pensions. Since CSRS pensions are defined as a percent of average salary and since they are fully indexed to increases in the Consumer Price Index, only this method produces a realistic estimate of the CSRS liability: $542.1 billion as of September 30, 1984.

Highlights

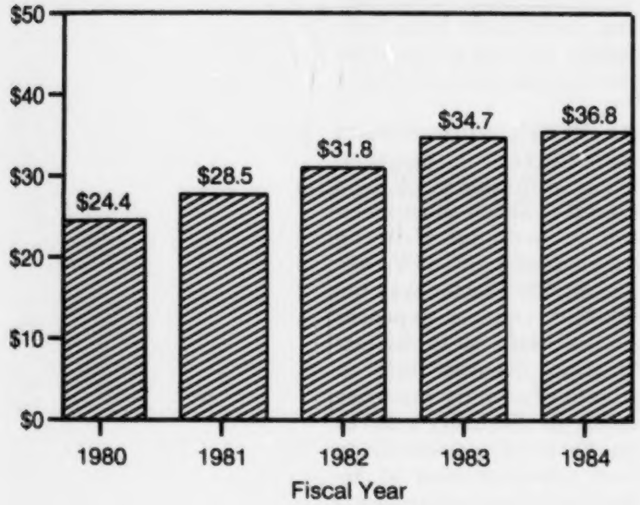
Most of CSRS's financial statistics are growing from year to year as displayed in the accompanying set of bar graphs. These increases reflect a growing Federal payroll and a growing number of annuitants receiving benefits. A brief analysis of increases in the Plan's net assets available for benefits, additions (income), deductions (expenses), and actuarial liabilities is given below.

Net Assets Available for Benefits

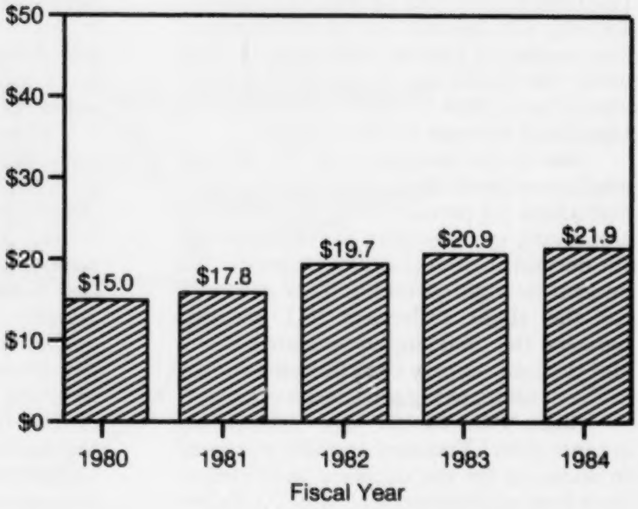
The CSRS's net assets grew by 13.5 percent, $14.9 billion, during FY 1984, slightly less than the percentage gain realized in FY 1983. The growth of the CSRS's net assets is illustrated in the accompanying bar chart and Exhibit R17 presents the historical component amounts. Increases in CSRS net assets can be attributed to supplemental Government contributions, which are identified as Transfers from Treasury in the pie chart on page 31. (Technically, a small percentage (2.6 percent) are other transfers. See Note C.) These direct transfer payments grew from $11.9 billion in FY 1980 to $16.3 billion in FY 1984 (36.4 percent increase) and, as shown in the accompanying pie chart, now represent 44.2 percent of the CSRS's FY 1984 income. In fact, the CSRS's net assets would have declined by $1.4 billion in FY 1984 if these supplemental transfer payments were not part of the Plan's financing.

U.S. Civil Service Retirement System
FINANCIAL HIGHLIGHTS
(Dollars in billions)

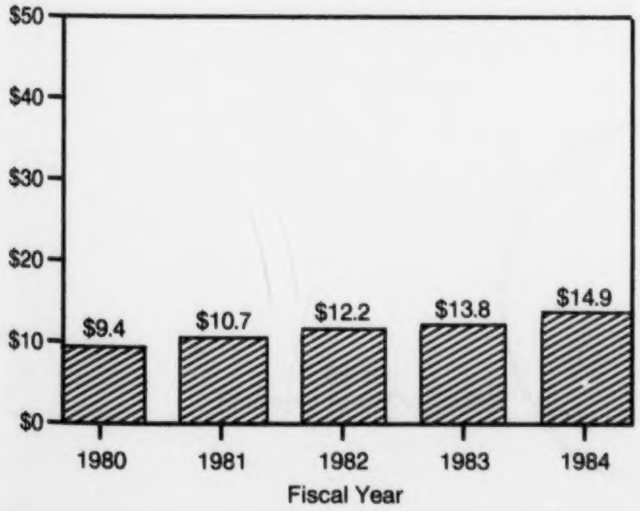
Total Income



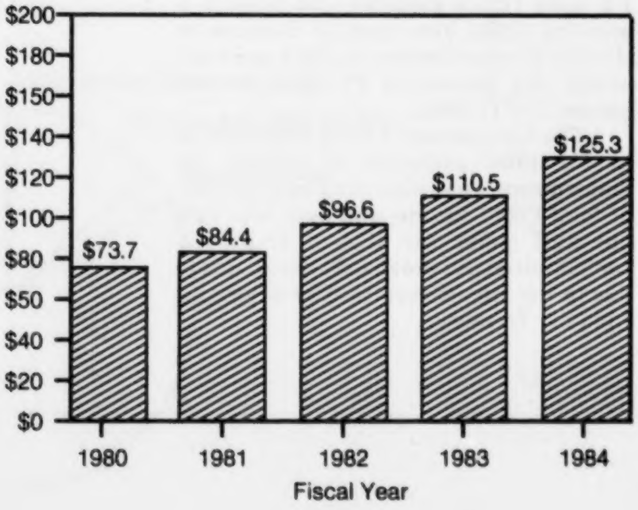
Total Expenses



Net Income



Net Assets



Additions (Income)

Exhibit R17 displays the component increases in CSRS income which rose from $24.4 billion in FY 1980 to $36.8 billion in FY 1984 (51.1 percent increase). Growth in employee and employing agency contributions parallels salary increases granted the Federal workforce (10/1/80: 9.1 percent; 10/1/81: 4.8 percent; 10/1/82: 4.0 percent; 1/1/84: 4.0 percent). The number of Federal employees covered under the CSRS has remained relatively stable from 1980 to 1984 and was not a significant element in the increase.

Due to the enactment of P.L. 98-168, employees hired after December 31, 1983, contribute 1.3 percent of salary while the employing agencies continue to contribute the normal amount (i.e., seven percent, 7.5 percent or eight percent). This accounts for the slight difference (0.2 percent) between the total employee contributions and the total agency contributions shown in the accompanying pie chart.

Since P.L. 98-168 also established another direct Treasury transfer payment to make up for the decrease in contributions from employees hired after December 31, 1983 (see Note C(5)), overall CSRS income is not impacted by this change.

Interest on investments has made the most dramatic increase from FY 1980 to FY 1984 (121.4 percent) and reflects a growing CSRS Fund and an increase in the rate of return earned on the Fund's net assets (8.5 percent in FY 1980 to 10.9 percent in FY 1984).

The Government's total contribution in FY 1984, exclusive of interest on Government securities, was 56.6 percent of total CSRS income and over four and one-half times the size of employee contributions. As previously noted, this is due to the large direct transfer payments from the Treasury.

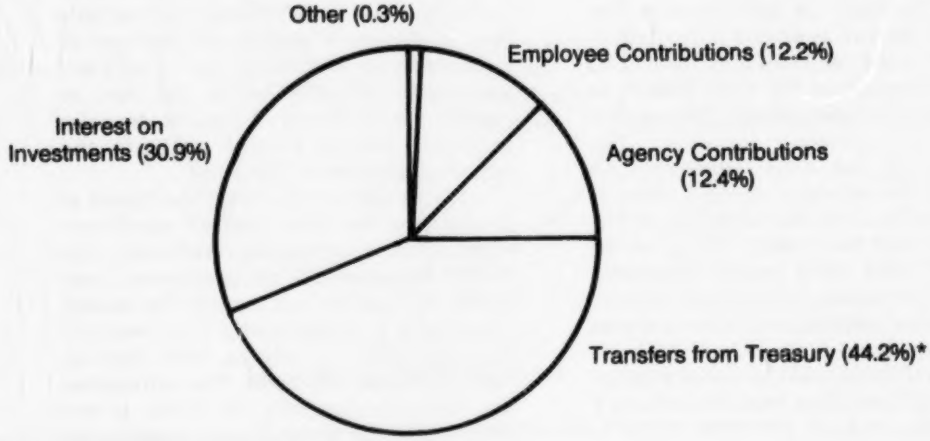
Deductions (Expenses)

CSRS expenses have increased steadily from $15 billion in FY 1980 to approximately $22 billion in FY 1984 (46.6 percent increase). As shown in the accompanying pie chart, 97.3 percent of the CSRS's expenses are for annuity payments to retired employees and survivors. These payments have continued to grow as more individuals have been added to the annuity roll and as annuities have undergone regular cost-of-living adjustments.

The average monthly retiree annuity remained virtually the same at the end of FY 1984 ($1,078) as at the end of FY 1983 ($1,076) as the result of a Plan amendment which resulted in no cost-of-living adjustments to the annuity roll in FY 1984 (see Notes A and E). This factor was the primary reason that annuity expenses posted their smallest increase in the last five years (4.7 percent). Another factor in reducing the growth of annuity expenses is that the number of disability retirees has declined over the last five years due to OPM's improved administration of requirements for disability retirements coupled with provisions of the Omnibus Budget Reconciliation Act of 1982.

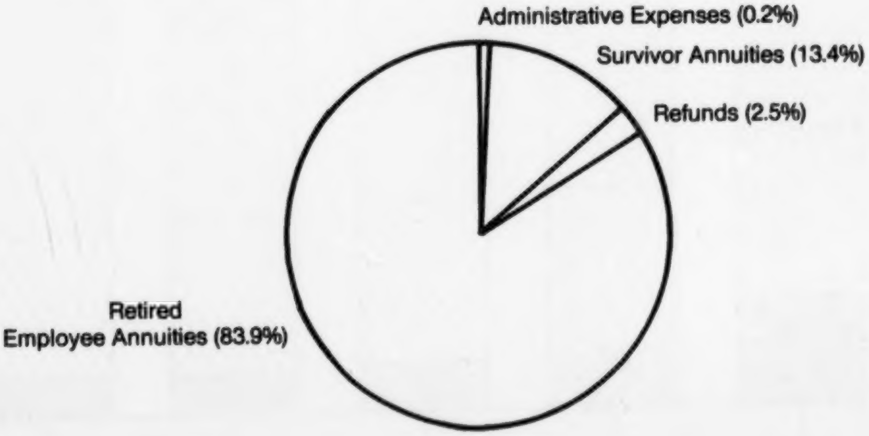
U.S. Civil Service Retirement System
SOURCES OF INCOME AND TYPES OF EXPENSES
(Percentages)

Sources of Income, Fiscal Year 1984



*Includes transfers from the U.S. Postal Service (2.5%) and the Panama Canal Commission (0.1%)

Types of Expenses, Fiscal Year 1984



Actuarial Liabilities

On balance, an analysis of the current status of the CSRS indicates that the Fund remains healthy on a cash flow basis. However, from a total liability standpoint, the CSRS is not healthy. Actuarial present value of accumulated plan benefits exceeded net assets by $411.7 billion in FY 1984, an increase of $11 billion over FY 1983 (see Exhibit R17). The dynamic unfunded liability, as calculated in the P.L. 95-595 Report, is $542.1 billion at the end of FY 1984, as compared to $527.5 billion at the end of FY 1983 (based on new actuarial assumptions). This represents a 2.8 percent increase. The accompanying bar chart illustrates an increase in the actuarial present value of future benefits from $814.3 billion at the end of FY 1980 to $1,033.6 billion at the end of FY 1984 (26.9 percent increase). The Fund's net assets and present value of future income (normal cost) have not kept pace with this increase, causing an increase in the unfunded actuarial accrued liability of $72.6 billion from the end of FY 1980 to the end of FY 1984. This is primarily the result of interest on the unfunded liability being paid on the "static" number rather than the "dynamic" number.

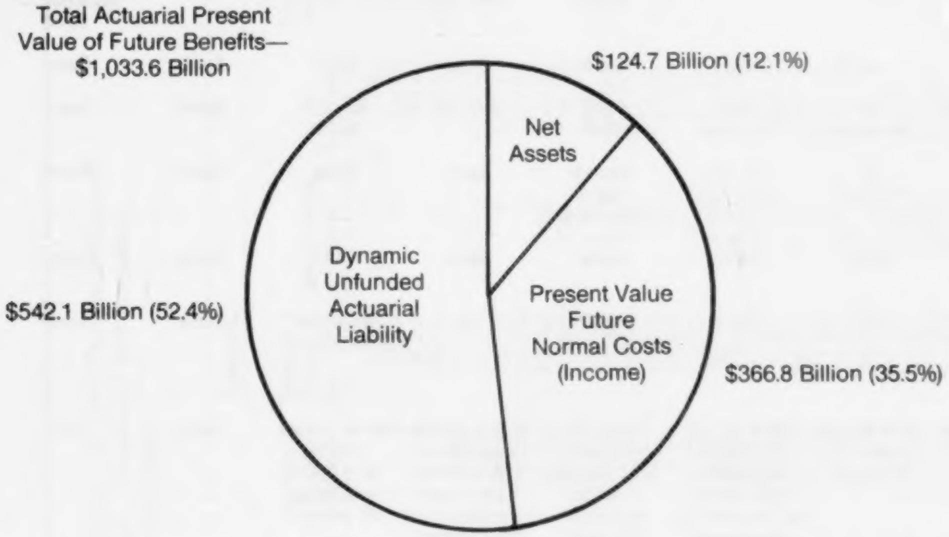
Subsequent Events (See Note I)

The Civil Service Retirement Spouse Equity Act of 1984, P.L. 98-615, was enacted on November 8, 1984. The law was effective (for most purposes) on May 7, 1985, and amends the CSRS to allow certain additional survivor annuities that were not permitted before. OPM is not in a position to estimate the number and amount of additional survivor annuities that will result from the enactment of this law. However, a portion of the cost of these survivor annuities, that would not have been allowed before the Act, is funded by a direct Treasury transfer payment which should mitigate the impact of the law on the Fund.

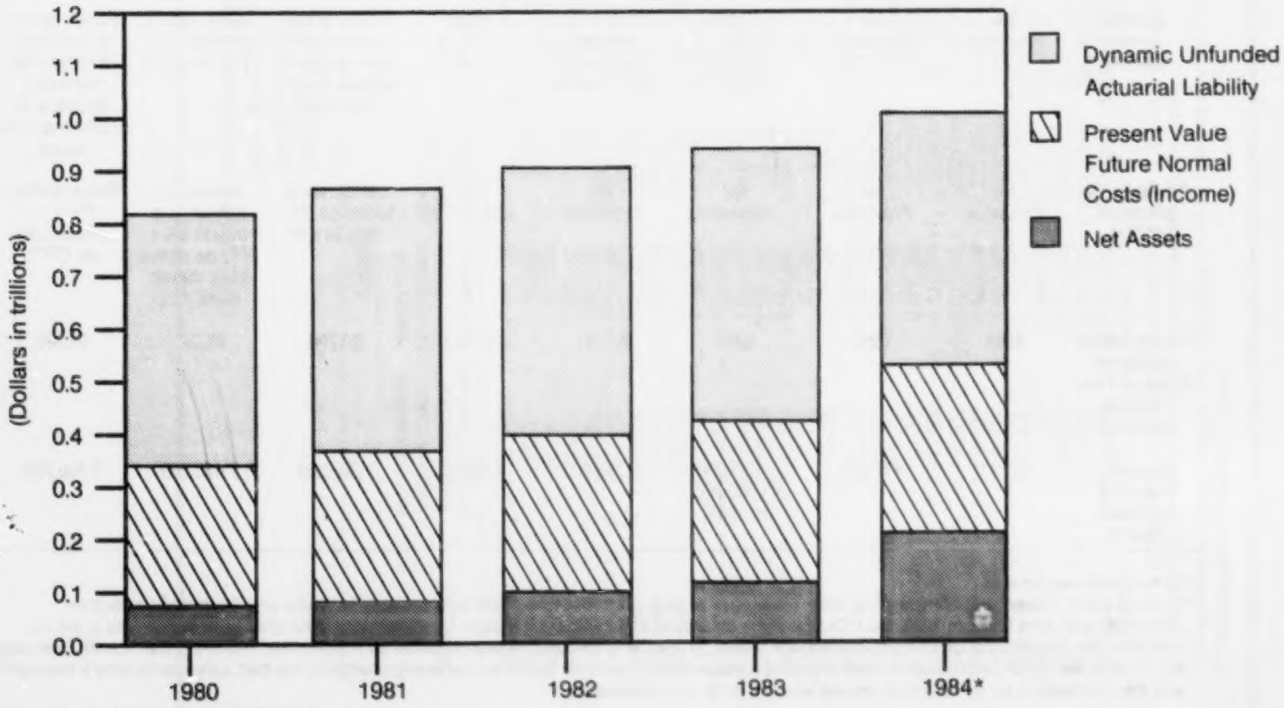
On December 24, 1984, the Board of Arbitrators for the 1984-87 employee-management agreement between the Postal Service and its employees published its opinion and award. The award provided for guaranteed 2.7 percent pay increases effective July 21, 1984, July 20, 1985, and July 19, 1986. The retroactive pay increase for July 21, 1984, is not reflected in the accrual basis assets as of the end of Fiscal Year 1984. However, we do not feel this would be material in relation to the overall financial statements.

U.S. Civil Service Retirement System
FUNDING STATUS

Actuarial Present Value of Future Benefits
as of September 30, 1984



Historical Comparison



*New Assumptions (See Note G)

Exhibit R14: Major Provisions of U.S. Civil Service Retirement Law, 1920-Present

Act and Approval Date	1920 5/22/20	1930 5/29/30	1942 1/24/42	1948 2/28/48	1956 7/31/56	1962 10/11/62	1966 7/18/66	1969 10/20/69
Age-Service Requirements to Receive Annuity								
Normal	No Provision	68-30	62-15 60-30 55-30*	Same, except FBI: 50-20 (1947 Act)	Same, except 62-5	Same	Same, except 60-20; no age reduction for 55-30	Same
Disability	Any-15	Any-5	Same	Same	Same	Same	Same	Same
Involuntary	No Provision	No Provision	62-5 55-5*	Any-25*	Any-25* 50-20*	Same	Same	Same
Deferred	No Provision	55-15* (1922 Act)	Vested Any-5 Payable at 62-5	Same	Same	Same	Same	Same
Mandatory	70-15	Same	Same	Same	Same	Same	Same	None after 4/6/78 Act
Employee Contribution as Percent of Pay	2½%	3½%	5%	6%	6½% plus agency match	Same	Same	Same, except 7%
General Formula	30 to 60% of salary by schedule	$30 x service plus amount purchasable from contributions; various maxima and minima	Same, plus minimum of 1/70 x salary x service (maximum 35 years)	1½% x salary x service or (1% x salary + $25) x service. Maximum 80% of salary	Same, except 1¾% for 6-10 years and 2% for 11 years +	Same	Same	Same, except unused sick leave used in computation
Average Salary for	Last 10 years	High 5 years	Same	Same	Same	Same	Same	High 3 years
Survivor Benefit Election	No Provision	No Provision	Election by retiree (1939 Act)	Cost of election reduced. Children to age 18 added.	Same	Same, except student children to age 21; spouse benefit increased	Same, except student children to age 22	Same, except guaranteed minimum for surviving spouses in death-in-service cases
Cost-of-Living Adjustment (COLA)	No Provision	No Provision	No Provision	No Provision	No Provision	Set annually based on 3% + rise in CPI	Automatic, based on 3 month 3% + CPI rise above base month (1965 Act)	Same, except 1% over amount set by CPI**
Average Annual Annuity for Issues in Year Following Enactment	$568	$952	$986	$1,121	$1,920	$2,700	$3,240	$4,920
Estimated Number of Employees Covered	330,000	415,000	2,000,000 (3,000,000 in 1944)	1,735,000	2,133,000	2,300,000	2,450,000	2,700,000

*Annuity reduced for age.

**The one point "kicker" was eliminated in 1976. From 1977 to 1981, COLA's were made semiannually in March and September, based on December and June CPI's. In 1981, the COLA became an annual adjustment made each March based on the change in the CPI the previous calendar year. In 1983, the COLA was delayed one month, to April, and the amount was modified for nondisabled retirees under age 62 (see page 42). In 1984, the COLA became an annual adjustment made each December based on the yearly change in the third calendar quarter's average CPI and the modification for nondisabled retirees under age 62 was eliminated.

Exhibit R15: Historical Financial Information: U.S. Civil Service Retirement and Disability Fund Additions, Deductions and Year-End Fund Balances, Fiscal Years 1921-1984

($000)

	Additions				Deductions						
Fiscal Years*	Salary Deductions, Voluntary Contributions and Service Credit Payments	Government Appropriations and/or Agency Contributions	Interest and Profit on Investments	Total Additions	Payments to Retired Employees	Payments to Survivor Annuitants	Payments of Refund and Death Claims	Administrative Expense	Total Deductions	Transfers from (+) to (-) other Retirement Systems	Balance in Fund End of Fiscal Year*
1921-1928	$ 142,730	$ 0	$ 13,211	$ 155,941	$ 51,032	$ 0	$ 21,923	$ 0	$ 72,955	$ 0	$ 82,985
1929-1935	208,291	145,450	57,361	411,102	185,158	0	35,732	0	220,890	-1,468	271,730
1936-1940	186,851	321,843	82,147	590,841	272,080	0	37,367	0	309,447	-3	533,122
1941-1945	926,001	671,242	214,025	1,811,268	351,846	0	136,236	0	488,082	-79	1,876,228
1946-1950	1,451,080	1,243,584	551,909	3,246,573	615,913	8,388	679,575	0	1,303,876	23,305	3,842,229
1951-1955	2,074,975	1,014,180	1,027,332	4,116,487	1,227,600	114,754	423,212	0	1,765,566	0	6,193,150
1956-1960	3,408,356	2,855,456	1,097,549	7,361,361	2,569,059	342,644	562,102	0	3,473,805	0	10,080,706
1961-1965	4,714,420	4,894,239	1,868,837	11,477,496	4,622,393	720,830	613,858	0	5,957,081	0	15,601,121
1966-1967	2,318,100	2,427,985	1,171,523	5,917,608	2,854,612	465,383	333,347	4,625	3,657,967	0	17,860,760
1968	1,335,704	1,389,281	709,455	3,434,440	1,665,297	291,331	176,961	4,101	2,137,690	0	19,157,510
1969	1,430,341	1,485,856	836,543	3,752,740	1,861,423	330,344	213,655	4,697	2,410,119	0	20,500,130
1970	1,740,420	1,952,289	990,226	4,682,935	2,129,056	389,045	226,486	6,930	2,751,517	0	22,431,548
1971	1,919,640	2,663,297	1,232,946	5,815,883	2,564,879	459,602	197,685	7,561	3,229,727	0	25,017,705
1972	2,072,683	3,205,940	1,464,486	6,743,109	3,026,226	528,697	187,117	6,781	3,748,281	-30,396	27,981,596
1972 Accr.*	126,113	121,257	52,263	299,633	261,062	46,254	10,497	65	317,878	0	27,963,351
1973	2,140,435	3,901,941	1,568,690	7,611,066	3,761,969	606,408	212,309	6,979	4,587,665	-7,146	30,979,606
1974	2,332,111	4,817,463	1,845,514	8,995,088	4,824,998	718,575	233,144	8,522	5,785,239	-5,569	34,183,887
1975	2,533,941	6,707,384	2,136,474	11,377,799	6,052,108	908,319	220,384	26,469	7,207,280	-3,469	38,350,936
1976	2,779,956	7,877,108	2,463,602	13,120,666	7,098,401	1,076,516	213,286	17,189	8,405,932	-3,374	43,062,837
1976 Tran. Qtr.**	706,766	2,076,183	722,953	3,505,902	1,908,268	289,149	76,577	3,787	2,277,781	-872	44,290,087
1977	2,943,556	9,323,664	2,826,826	15,094,046	8,142,967	1,237,738	292,884	20,491	9,694,080	-2,556	49,687,496
1978	3,194,332	11,035,232	3,419,711	17,649,275	9,245,515	1,422,672	322,637	21,991	11,012,815	-1,137	56,322,819
1979	3,446,531	12,865,419	4,233,888	20,545,838	10,571,165	1,617,917	378,242	24,655	12,591,979	-578	64,276,101
1980	3,685,772	15,562,008	5,141,193	24,388,973	12,638,586	1,912,173	396,418	29,739	14,976,916	-1,069	73,687,089
1981	4,006,358	18,192,722	6,330,096	28,529,176	15,010,344	2,265,014	457,830	44,870	17,778,058	-1,184	84,437,024
1982	4,171,423***	19,443,282	8,240,966	31,855,671	16,405,799	2,533,229	678,776	37,398	19,655,202	-1,274	96,636,219
1983	4,398,918***	20,614,543	9,697,673	34,711,134	17,601,745	2,782,727	460,887	41,628	20,886,987	-2,012	110,458,356
1984	4,608,045***	20,847,892	11,384,675	36,840,612	18,402,840	2,943,457	551,699	46,117	21,944,113	-6,577	$125,348,278
TOTALS	$65,003,849	$177,856,740	$71,382,074	$314,042,863	$155,922,341	$24,011,166	$8,350,826	$364,595	$188,848,928	$-45,458	

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*The accounting statement was changed from cash basis to an accrual basis in 1972, thus requiring an accrual adjustment. Fund balance thereafter represents net assets available to the Fund.

**A transitional quarter resulted when the end of the fiscal year was changed from June 30 to September 30 in 1976.

***Includes gifts to Retirement Fund.

Exhibit R16: Actuarial Status Information as of End of Plan Year

(In billions of dollars)

	Sept. 30, 1984	Sept. 30, 1983
Normal Cost of Retirement Benefits as a Percentage of Covered Payroll (Using the Dynamic Method Presented in the Board of Actuaries Annual Report on the CSRS)[1]		
Employee[2]	7.00%	7.00%
Employer	27.88%	29.51%
Total	34.88%	36.51%
Unfunded Actuarial Accrued Liability (Using the Dynamic Method in the Board of Actuaries Annual Report on the CSRS)[1]		
Actuarial present value of future benefits and administrative expenses:		
(a) Annuitants now on roll	$336.5	$319.7
(b) Separated employees	2.3	4.0
(c) Active employees	694.8	626.0
Total	1,033.6	949.7
Less: Present value of future employer/employee normal cost contributions and future military service deposits	366.8	311.6
Actuarial accrued liability	666.8	638.1
Less: Net assets in fund	124.7	110.0
Unfunded actuarial accrued liability	$542.1	$523.1
Unfunded Actuarial Accrued Liability Using the Method Prescribed in Statement of Financial Accounting Standards No. 35 (FASB #35)[3]		
Vested benefits:		
Participants currently receiving payments	$335.8	$319.7
Participants not currently receiving payments	168.4	146.7
Subtotal	504.2	466.4
Nonvested benefits	32.8	48.2
Total actuarial present value of accumulated plan benefits	537.0	514.6
Less: net assets in fund	124.7[4]	110.0
Unfunded liability using the actuarial present value of accumulated plan benefits	$412.3	$404.6

[1] The latest Board of Actuaries Report uses the Entry Age Normal Cost Method, which is the most commonly used Actuarial Cost Method. It develops a normal cost for a pension plan as a level percentage of pay and is the preferred method used for an ongoing pension plan.

[2] Different rates are applicable for special groups and transition employees.

[3] FASB #35 requires the plan actuary to determine the unfunded actuarial accrued liability under the Unit Credit Cost Method (unprojected), a method disallowed by the IRS for funding a plan such as the CSRS. The calculations are performed partially on a plan termination basis and partially on an ongoing basis.

[4] Net assets are presented here at market value of $124.7 billion as required under P.L. 95-595 rather than at cost as in Financial Statement R-I ($125.3 billion). This accounts for the difference between the unfunded accumulated benefits of $411.7 cited on page 32 and the $412.3 cited above.

Exhibit R17: U.S. Civil Service Retirement System Financial Highlights, Fiscal Years 1980-1984

($000)

	FY ENDING 9/30/80	FY ENDING 9/30/81	FY ENDING 9/30/82	FY ENDING 9/30/83	FY ENDING 9/30/84
ADDITIONS (INCOME)					
Employee Contributions	$ 3,685,722	$ 4,006,358	$ 4,171,320	$ 4,398,817	$ 4,608,044
Employing Agency Contributions	3,616,371	3,900,035	4,091,026	4,319,901	4,552,855
Government Contributions:					
New and Increased Annuities	2,786,886	3,296,778	3,600,002	3,940,183	4,145,296
Annuities Under Special Acts	972	996	925	924	1,275
Interest on Unfunded Costs	7,350,000	8,920,000	9,420,000	9,670,000	9,395,000
Benefits Attributable to Military Service	1,094,000	1,336,000	1,463,000	1,697,000	1,776,300
Contribution Deficiency					40,200
From U.S. Postal Service for Unfunded Retirement Expense	697,079	722,213	850,199	966,975	917,407
From Panama Canal Commission	16,700	16,700	18,130	19,560	19,560
Interest on Investments	5,141,193	6,330,096	8,240,966	9,697,673	11,384,675
Gifts to Retirement Fund	1	0	103	102	1
Subtotal	**24,388,974**	**28,529,176**	**31,855,671**	**34,711,135**	**36,840,613**
DEDUCTIONS (EXPENSES)					
Annuities:					
Retired Employees	12,638,586	15,010,344	16,405,799	17,601,745	18,402,840
Survivors	1,912,173	2,265,014	2,533,229	2,782,727	2,943,457
Refunds of Prior Year Contributions	396,417	457,830	678,776	460,887	551,699
Net Transfers of Prior Year Employee Withholdings to Other Systems	1,069	1,184	1,274	2,012	6,577
Administrative Expenses	29,740	44,870	37,398	41,628	46,117
Subtotal	**14,977,985**	**17,779,242**	**19,656,476**	**20,888,999**	**21,950,690**
NET ADDITIONS (NET INCOME)	**$ 9,410,989**	**$10,749,934**	**$12,199,195**	**$ 13,822,136**	**$ 14,889,923**
NET ASSETS AVAILABLE FOR BENEFITS[1]					
Beginning Balance	$64,276,101	$73,687,090	$84,437,024	$ 96,636,219	$110,458,355
Net Additions	9,410,989	10,749,934	12,199,195	13,822,136	14,889,923
Ending Balance	**$73,687,090**	**$84,437,024**	**$96,636,219**	**$110,458,355**	**$125,348,278**
UNFUNDED LIABILITY[1] (billions):					
Statutory[2]: Old	$ 166.4	$ 188.4	$ 193.4	$ 187.9	
New				$ 193.7	$ 190.6
Dynamic[3]: Old	$ 469.5	$ 489.9	$ 514.8	$ 528.1	
New				$ 527.5	$ 542.1
Excess of Actuarial Present Value of Accumulated Plan Benefits Over Net Assets Available for Benefits[2]:					
Old	$ 356.6	$ 380.0	$ 395.3	$ 404.1	
New				$ 400.7	$ 411.7
Investment Rate of Return on Net Assets	8.51%	9.21%	10.47%	10.71%	10.94%

[1] CSRS Board of Actuaries released the results of their September 30, 1982, valuation in January 1985. The valuation contained a new set of demographic and economic assumptions which changed the System's unfunded liabilities and normal cost computations (see Note G).

[2] Assets at cost value.

[3] Assets at fair value.

Financial Statement R-I

Statement of Net Assets Available for Benefits
September 30, 1984 and 1983
U.S. Civil Service Retirement System

	September 30, 1984 ($000)	September 30, 1983 ($000)
Assets		
U.S. securities (par value)	$112,004,050	$109,535,764
Unamortized premium and discount (net)	(8,917)	(10,105)
Total U.S. securities (book value) (Notes B(1) and D)	111,995,133	109,525,659
Accounts Receivable:		
Employee withholdings	220,855	147,682
Government contributions	232,474	150,199
Accrued interest	2,920,931	2,349,977
Overpayments of annuities and refunds	69,644	65,737
Allowances for waivers and bad debts (Note B(4))	(18,839)	(14,205)
Advances for administrative expenses	4,482	860
Total accounts receivable	3,429,547	2,700,250
Equipment (less accumulated depreciation of $753,422 in 1984 and $624,143 in 1983)	1,513	425
Cash balance in fund at Treasury (Note D)	11,796,568	39,669
Total Assets	$127,222,761	$112,266,003
Liabilities		
Accounts Payable:		
Taxes withheld from annuitants	$ 160,588	$ 154,199
Union allotments withheld from annuitants	154	128
Insurance premiums withheld from annuitants	102,063	89,698
Total accounts payable	262,805	244,025
Accrued Expenses:		
Annuity payments	1,568,034	1,533,196
Refund of retirement deductions, lump sums, voluntary contributions, and interest on refunds	41,822	28,628
Accrued annual leave for trust fund employees	1,822	1,799
Total accrued expenses	1,611,678	1,563,623
Total Liabilities	1,874,483	1,807,648
Net Assets Available for Benefits (Cost Basis)	$125,348,278	$110,458,355

The accompanying notes are an integral part of the financial statements.

Financial Statement R-II

Statement of Changes in Net Assets Available for Benefits
September 30, 1984 and 1983
U.S. Civil Service Retirement System

	For the Fiscal Year Ended	
	September 30, 1984 ($000)	**September 30, 1983 ($000)**
Net Assets Available for Benefits at Beginning of Plan Year (Cost Basis)	$110,458,355	$ 96,636,219
Investment Income (interest)	11,384,675	9,697,673
Contributions (Note C):		
Employees:		
Withheld from salaries	4,511,457	4,316,359
Salary offset—reemployed annuitants	33,907	32,952
Service credit deposits, redeposits	62,469	49,305
Voluntary contributions	212	201
Employing agencies	4,552,854	4,319,901
Government:		
New and increased annuities	4,145,296	3,940,183
Annuities under special acts	1,275	924
Interest on statutory unfunded liability	9,395,000	9,670,000
Benefits attributable to military service	1,776,300	1,697,000
Contribution deficiency	40,200	0
From U.S. Postal Service for unfunded retirement expense	917,407	966,975
From Panama Canal Commission	19,560	19,560
Total contributions	25,455,937	25,013,360
Gifts to retirement fund	1	102
Total Additions	36,840,613	34,711,135
Benefits paid directly to participants:		
Annuities:		
Retired employees	18,402,840	17,601,745
Survivors	2,943,457	2,782,727
Refunds of prior year contributions (Note H):		
Separated employees	516,590	425,945
Deceased employees	34,995	34,874
Voluntary contributions	114	68
Total benefits paid to participants	21,897,996	20,845,359
Net transfers of prior year employee withholdings to other systems	6,577	2,012
Administrative expense	46,117	41,628
Total Deductions	21,950,690	20,888,999
Net Additions	14,889,923	13,822,136
Net Assets Available for Benefits at End of Plan Year (Cost Basis)	$125,348,278	$110,458,355

The accompanying notes are an integral part of the financial statements.

Financial Statement R-III

Statement of Actuarial Present Value of Accumulated Plan Benefits

(In billions of dollars)

U.S. Civil Service Retirement System

	Sept. 30, 1984	Sept. 30, 1983
Actuarial Present Value of Accumulated Plan Benefits Notes B(2) and G)		
Vested benefits:		
Participants currently receiving payments	$335.8	$319.7
Participants not currently receiving payments	168.4	146.7
Subtotal	504.2	466.4
Nonvested benefits	32.8	48.2
Total Actuarial Present Value of Accumulated Plan Benefits	$537.0	$514.6

The accompanying notes are an integral part of the financial statements.

Financial Statement R-IV

Statement of Changes in Actuarial Present Value of Accumulated Plan Benefits

(In billions of dollars)

U.S. Civil Service Retirement System

	For the Fiscal Year Ended Sept. 30, 1984	Sept. 30, 1983
Actuarial Present Value of Accumulated Plan Benefits at Beginning of Plan Year	$514.6	$491.9
Increase (decrease) during the year attributable to:		
Benefits accumulated less benefits paid	35.7	22.7
Plan amendments (Note E)	(9.9)	0.0
Changes in actuarial assumptions (Note G)	(3.4)	0.0
Net Increase	22.4	22.7
Actuarial Present Value of Accumulated Plan Benefits at End of Year	$537.0	$514.6

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements September 30, 1984 and 1983

A. Description of Plan

The following brief description of the U.S. Civil Service Retirement System (CSRS) is provided for purposes of general information. Major provisions of CSRS law as originally established and as modified by subsequent legislation are summarized on page 34.

1. General

The Plan is a defined-benefit, single-employer plan which was established by Public Law 66-125, signed May 22, 1920, and amended by many subsequent Acts of Congress. The Plan is funded through the U.S. Civil Service Retirement and Disability Fund. Members of the System include appointive and elective officers and employees in or under the executive, judicial, and legislative branches of the U.S. Government and the District of Columbia government, except those excluded by law or by regulation.

2. Annuity and Disability Benefits

The retirement law provides normal retirement on full annuity at age 55 with 30 years' service, age 60 with 20 years' service or age 62 with five years' service. Disability retirement is permitted at any age with five years' service and involuntary retirement at any age after 25 years' service or at age 50 with 20 years of service. Deferred annuities are payable at age 62 with five years' service. There is no general mandatory retirement provision. The "average salary" used in benefit computations is based on the highest three years of salary. The annuity formula provides 1½ percent of average salary for the first five years of service, 1¾ percent for the next five years, and two percent for any remaining service, up to a maximum of 80 percent of average salary. Disability annuitants receive the greater of the preceding computation or a guaranteed minimum of the lesser of 40 percent of average salary or the regular formula using service projected to age 60. The law also contains special eligibility and computation requirements for certain law enforcement officers, firefighters, air traffic controllers, and Congressional employees, Members of Congress, and certain other groups.

3. Death Benefits

Widows and widowers of those who die in service receive 55 percent of the disability formula as a benefit. Generally this is 22 percent of average salary. Widows and widowers of deceased annuitants receive 55 percent of the annuity unless the employee annuitant waived provision of a survivor benefit or elected to provide less than a full survivor benefit. Since the deduction (2½ percent of annuity below $3,600 a year and 10 percent above) is much less than the equivalent actuarial value of the survivor's annuity, most married annuitants elect the reduced annuity with full survivor benefits. Children of deceased annuitants and employees receive a flat monthly amount.

4. Cost-of-Living Adjustment (COLA's)

In accordance with CSRS law (P.L. 98-270, approved April 18, 1984), annuities are adjusted annually (December 1 of each year, paid on the first business day in January) to reflect cost-of-living increases as measured by the yearly change in the third calendar quarter's average Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers. Initial COLA's of retiring employees (or the survivors of an employee) are prorated based on the number of months the employee is in receipt of an annuity prior to the effective date of the increase.

There have been several changes to the CSRS COLA provisions in the past several years. From 1977 to 1981, cost-of-living adjustments were made semiannually in March and September of each year and based on the December and June CPI's. In 1981, P.L. 97-35 changed the COLA to an annual adjustment to be made each March based on the change in the CPI from the previous calendar year. In 1982, P.L. 97-235 further altered the COLA provisions, which resulted in a one-month delay of the 1983 adjustment and modified the amount of the increase for nondisabled retirees under age 62. With the most recent change to COLA provisions brought about by P.L. 98-270, the effective date for all future COLA's was changed to December 1 of each year. Thus, as can be seen from the chart below, there was no COLA adjustment during Fiscal Year 1984. The COLA's since September 1977 have been as follows:

Effective Date of Increase	Percent Annuity Increase
9/1/77	4.3%
3/1/78	2.4%
9/1/78	4.9%
3/1/79	3.9%
9/1/79	6.9%
3/1/80	6.0%
9/1/80	7.7%
3/1/81	4.4%
3/1/82	8.7%
4/1/83	3.9%*
12/1/84	3.5%**

*3.3% for nondisabled employee annuitants under age 62

**Paid in Fiscal Year 1985

5. Employee Deductions and Refunds

Employees who are separated from Government service or who are transferred to a position which is not under the CSRS are eligible for a refund of the deductions taken from their pay, which includes a payment of interest (at an annual rate of three percent) for individuals with more than one but less than five years of civilian service. The total deductions (or accumulated employee contributions) amount to approximately $36 billion as of September 30, 1984. This includes deductions for the active workforce and for terminated employees who retain interest in deferred retirement annuities from the System.

B. Summary of Accounting and Actuarial Policies

The following are the significant accounting and actuarial policies followed by the Plan.

1. Valuation of Investments

The Fund's investments consist solely of United States Government securities. These investments represent 89.3 percent of the Plan's net assets as of September 30, 1984. (Normally, investments represent 99 percent of the Plan's assets, but on September 28, 1984, the Fund was unable to invest in Government securities; see Note D.) Investments are shown at face amount (par), net of any unamortized premium or discount, in the accompanying financial statements. Premiums and discounts are amortized over the life of the applicable security using the straight-line method. The fair values of the Fund's securities are disclosed in Note D and determined as follows. The fair value of the Special Treasury Bonds and Certificates of Indebtedness equals the par value. These securities are always redeemed at par value regardless of the date of redemption or the rate of interest, as specified by 5 U.S.C. 8348(d). The fair value of the U.S. Treasury Bonds was determined by using the over-the-counter quotations for Friday, September 28, 1984, reported in the Wall Street Journal. The fair value of the Government National Mortgage Association Participation Certificates was determined by using quotations obtained from a Wall Street firm.

2. Actuarial Present Value of Accumulated Plan Benefits

The accumulated Plan benefits are those future benefit payments that are attributable to employees' service rendered prior to the valuation date of September 30, 1984. Accumulated Plan benefits include benefits expected to be paid to (a) retired or terminated employees and their beneficiaries, (b) beneficiaries of deceased employees, and (c) present employees or their beneficiaries, including refunds of employee contributions. Total projected service is used to determine eligibility for (but not the amount of) retirement benefits. The value of voluntary, involuntary, and deferred retirement benefits is based on the regular formula using service to the valuation date. The value of disability benefits and benefits for survivors of employees is determined by multiplying the benefit the employee would receive on his or her date of disability or death by a ratio of service at the valuation date to projected service at the time of disability or death. Employees are assumed to continue to earn their final salaries as of the valuation date, with no future increases. Thus, for employees retiring after Fiscal Year 1987, the projected high-three-year-average salary would be the same as the final salary in Fiscal Year 1984. The annuity benefits are assumed to increase at the assumed inflation rate of five percent per year after retirement, and are discounted to the valuation date assuming a 6.5 percent rate of interest. (The actuarial interest rate changed from six percent, used in the September 30, 1983, financial report, to 6.5 percent, used in the September 30, 1984, financial report; see Note G.)

3. Depreciation

Capitalized property includes all furniture and equipment having a unit acquisition cost of $300 or more and of a durable nature with an expected service life of more than two years. Depreciation is based on the straight-line method without regard to salvage value.

It is assumed all equipment has a ten-year life and will be depreciated ten percent a year. All new equipment is assumed to have been purchased at the mid-point of the year and will be depreciated for six months or five percent of cost.

4. Allowance for Waivers and Bad Debts

For those accounts which are in the process of being collected, the Allowance for waivers and bad debts is experience-based using an aging schedule of accounts receivable. For suspended accounts pending reconsideration, the allowance for waivers and bad debts is based on the assumption, using past experience, that 25 percent will be waived or written-off.

C. Funding Policy

The funding policy for the U.S. Civil Service Retirement System consists of the following elements.

1. Employee/Employing Agency Contributions

Most employees, except those newly-hired on or after January 1, 1984, (see Note C(5) on P.L. 98-168) contribute seven percent of basic pay to the Civil Service Retirement and Disability Fund. However, law enforcement officers, firefighters, and Congressional employees contribute 7½ percent of basic pay, while Members of Congress contribute eight percent. Each employing agency also matches the employee's contribution except, again, in cases in which the employee is affected by P.L. 98-168. The employee and employing agency contribution of 14 percent is close to the "static" normal cost.

2. Public Law 91-93

Under Public Law 91-93, enacted in 1969, the Treasury makes the following three types of payments to the Retirement Fund: (1) payments to amortize, over a thirty year period, any increase in unfunded liability that results from new or liberalized benefits (excluding automatic cost-of-living increases in annuities), increases in pay, or extension of coverage to new employee groups; (2) a payment of five percent interest on the "statutory" unfunded liability; and (3) a payment of the estimated cost of benefits attributable to military service less the value of certain deposits made by employees for such service.

The unfunded liability which is used in determining the amount of the Treasury contributions is defined in 5 U.S.C. 8331 as the estimated excess of the present value of all benefits payable from the Fund to employees, former employees and their survivors, over the sum of: (A) the present value of deductions to be withheld from the future basic pay of employees and of future agency contributions to be made in their behalf; plus (B) the present value of the remaining thirty-year amortization payments which had previously been scheduled; plus (C) the Fund balance as of the date the unfunded liability is determined. This "statutory" unfunded liability as of September 30, 1984, is $190.6 billion (see Note G).

The present value of benefits determined under the provisions of P.L. 91-93 excludes benefits attributable to military service since these benefits are paid directly by the Treasury and to a minor degree by certain employee deposits. Also, the present value of benefits and the present value of contributions are determined under "static" economic assumptions which use a five percent annual interest rate and no future salary inflation or cost-of-living increases in annuity. This is a different method of calculating the unfunded liability than was used in preparing Table 1 of the Fund's annual report, prepared in accordance with P.L. 95-595. In that report, the calculation is based on "dynamic" assumptions and assumes future cost-of-living increases in annuities of five percent per year, future salary increases of 5.5 percent per year, and a 6.5 percent interest rate. Instructions from the Office of Management and Budget and the General Accounting Office for completion of the P.L. 95-595 report specify the five percent inflation rate. The unfunded liability calculated using these dynamic assumptions was $542.1 billion at the end of FY 1984.

3. U.S. Postal Service

Officers and career employees of the Postal Service retained coverage under the CSRS when the Postal Service commenced operations on July 1, 1971. As with other Federal agencies, the Postal Service and its employees each contribute seven percent of basic pay to the CSRS. However, unlike other Federal agencies, the Postal Service is required by Public Law 93-349 to make contributions to amortize, over a thirty-year period, any increase in unfunded liability resulting from an increase in covered Postal Service employees' pay on which retirement benefits are computed.

By law (5 U.S.C. 8348(h)(2)), these thirty-year amortization payments are computed by OPM, and the Postal Service is required to make the first installment of each thirty year payment at the end of the fiscal year in which an increase in pay becomes effective. These payments are reflected on the CSRS's financial statements in the year in which they become due and payable. Recent employee-management agreements between the Postal Service and its employees have adopted a two-phased approach for determining when cost-of-living adjustments (COLA's) become part of basic annual pay. For example, COLA's granted under the 1978-81 agreement were rolled into basic pay during Fiscal Year 1982 **only** for those employees who were within six years of eligibility for normal retirement as of the effective date of the 1981-84 agreement and who elected a roll-in. The 1981-84 agreement did not roll-in the COLA's granted under the 1978-81 agreement for everyone else until Fiscal Year 1985. This two-phased approach was also followed in the Postal Service's latest contract signed in December 1984 (see Note I).

OPM has determined that the Fiscal Year 1985 Postal Service amortization payment should be increased by $188,508,000 due to the second phase of the COLA roll-in under the 1978-81 agreement. The 1985 payment will also be increased as a result of the recently signed December 1984 employee management agreement (see Note I(2)).

4. Panama Canal Commission

Under the Panama Canal Act of 1979, the Panama Canal Commission is also required to make contributions to pay for the additional cost of the liberalized retirement benefits that are provided by the Act. However, in this case, the additional cost was determined assuming future salary and cost-of-living increases in order to provide a more accurate measure of the ultimate or true costs and to ensure that the Panama Canal Treaty would not result in any additional costs to the taxpayer.

5. Public Law 98-168

Under the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983, P.L. 98-168, certain Federal employees who are subject to Social Security withholdings as a result of P.L. 98-21 (see Note E) contribute 1.3 percent of their basic pay to the CSRS. Employing agencies, however, still contribute the normal percentage of basic pay—i.e., seven percent, 7.5 percent, or eight percent as appropriate—for affected employees. The difference between the employees' withholdings and the normal employee withholding rate results in a contribution deficiency for which the CSRS Fund is reimbursed by direct transfer from the Treasury at the end of each fiscal year. The contribution deficiency as of September 30, 1984, was $40.2 million, including interest (see Note E(1)).

D. Investments

The Plan's investments are held in a U.S. Government trust fund managed by the U.S. Department of the Treasury. The following table presents a comparison of the book value and the fair value of those investments.

The Fund's uninvested cash balance increased from a normal balance of $40 million at the end of FY 1983 to $11.8 billion at the end of FY 1984. This was caused by the Treasury's inability to issue new debt starting September 28, 1984, and ending October 13, 1984, due to the statutory debt ceiling limitation. If this

	September 30, 1984 ($000)	
	Book Value	**Fair Value**
Investments (Note B(1)):		
Marketable securities:		
U.S. Treasury bonds	$ 2,617,244	$ 2,043,365
Government National Mortgage Association participation certificates	174,956	146,112
Subtotal	2,792,200	2,189,477
Nonmarketable securities:		
Special Treasury bonds	102,814,885	102,814,885
Certificates of Indebtedness	6,388,048	6,388,048
Subtotal	109,202,933	109,202,933
Total investments	$111,995,133	$111,392,410

	September 30, 1983 ($000)	
	Book Value	**Fair Value**
Investments (Note B(1)):		
Marketable securities:		
U.S. Treasury bonds	$ 2,816,068	$ 2,348,270
Government National Mortgage Association participation certificates	174,944	146,474
Subtotal	2,991,012	2,494,744
Nonmarketable securities:		
Special Treasury bonds	88,390,259	88,390,259
Certificates of Indebtedness	18,144,388	18,144,388
Subtotal	106,534,647	106,534,647
Total investments	$109,525,659	$109,029,391

additional cash had been invested as of the end of the fiscal year, the Fund's Certificates of Indebtedness would have been $18,188,048,000 and its total investments would have been $123,795,133,000, at book value. In addition, the Fund lost interest in FY 1984 and 1985 estimated at $31.7 million (15 days at various amounts of principal) as a result of this event.

E. Plan Amendments

Fiscal Year 1983—There were no amendments (significantly affecting benefits) to the CSRS during Fiscal Year 1983. The Social Security Amendments of 1983, P.L. 98-21, enacted April 20, 1983, extended mandatory Social Security coverage to most Federal employees newly hired on or after January 1, 1984, and certain groups of Federal employees who were currently employed—e.g., former Federal employees returning to Federal employment starting in 1984 after a break in service of more than 365 consecutive days, all Members of Congress, individuals in Executive Schedule positions, noncareer appointees in the Senior Executive Service, top officials in the White House, and certain others. As a result of this law, many Federal employees are subject to both Social Security and CSRS coverage. However, the Social Security amendments did not amend the CSRS. The double coverage problem was temporarily remedied by the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983, which was enacted in Fiscal Year 1984 (see below).

Fiscal Year 1984—Plan amendments in FY 1984 decreased the actuarial present value of accumulated benefits by $9.9 billion. This was primarily due to the delay in COLA's caused by P.L. 98-270, explained below. Plan amendments were as follows:

1. The Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983, P.L. 98-168, enacted November 29, 1983, reduced the contribution burden on Federal employees subject to double retirement coverage. Under this law, most CSRS employees hired after 1983 have only 1.3 percent of their basic pay withheld for CSRS beginning on their date of employment, and until January 1, 1986, or, if earlier, the date on which a new Government retirement system to supplement Social Security is established. Agencies, however, are still required to contribute the normal percentage of basic pay (seven, 7.5, or eight percent as appropriate) for affected employees. Therefore, employee withholdings and agency contributions for affected employees are not equal. This funding change causes a contribution deficiency (the difference between normal employee withholdings—seven, 7.5, or eight percent—and the actual 1.3 percent withheld from affected employees) to the Fund, which is paid by a direct Treasury transfer each year (see Note C (5)). The law also included a provision reducing CSRS benefits to affected employees by the portion of their Social Security benefits attributable to Federal covered service after December 31, 1983, or excluding credit for such service under certain conditions. The total of these reductions is negligible compared with the size of the Fund.
2. The Deficit Reduction Act of 1984 (DEFRA), P.L. 98-369, approved July 18, 1984, amended the CSRS in several ways as follows:
   - Amended the Omnibus Budget Reconciliation Act of 1982 to allow Federal employees retiring between October 1, 1983, and October 1, 1985, to make deposits for post-1956 military service after they retire.
   - Allowed an additional period (until September 15, 1984) for certain Federal employees to make an election (or change a previous election) under P.L. 98-168 concerning their retirement coverage.

- Amended the Social Security Act, as amended by the Social Security Amendments of 1983, to provide that persons appointed after December 31, 1983, would be subject to Social Security as well as any other retirement system to which their appointments entitled them unless they had been employed in the Federal Government and continuously covered by the Civil Service or other civilian Federal retirement system since December 31, 1983, or unless they returned to a covered position after a break of less than 366 consecutive days. The effect of this provision of law is to cover persons under Social Security whose only previous Federal employment was in the military or in temporary or intermittent employment.

3. The Omnibus Reconciliation Act of 1983, P.L. 98-270, approved April 18, 1984, amended the CSRS law by changing the COLA provisions for annuitants. Under the law's provisions, COLA's are effective December 1 of each year, payable the first business day in January and based on the yearly change in the third calendar quarter's average CPI. In addition to this, it provided that no COLA would be made during the period beginning on the date of its enactment (April 18, 1984) and ending November 30, 1984. As a result of this law, no COLA was made during Fiscal Year 1984.
4. The Second Supplemental Appropriations Act of 1984, P.L. 98-396, approved August 22, 1984, amended the Omnibus Budget Reconciliation Act of 1982 to effectively give the same COLA in FY 1985 to nondisabled retirees under age 62 as was given to all other annuitants.

F. Contingent Liabilities

There are two legal cases pending which address the question of whether service performed under a contract for personal services is creditable under the CSRS. OPM has requested the U.S. Court of Appeals for the Federal Circuit to review the Merit Systems Protection Board's (MSPB) decision in Raymond Acosta et al. v. OPM. In this case, the MSPB held that service performed under a contract for personal services was creditable. In a companion case, Devine v. Werley, also pending before the Federal Circuit, MSPB held that employment with a Federal contractor was creditable when the work was performed under the supervision of the Government. OPM is not in a position to predict with any certainty the ultimate outcome of these two legal proceedings; however, it is the opinion of management that the impact will not be material to the CSRS's Fiscal Year 1984 financial statements.

In the case of Crawford v. United States, 602 F.2d 1185 (5th Cir. 1980), the United States Court of Appeals ruled that the 1966 codification of title 5, U.S. Code, repealed the nonretroactive effective date language of the 1956 amendments to the CSRS act, and provided individuals who separated before 1956, but whose annuity commencing date was after 1966, with an opportunity to elect annuities with survivor benefits for spouses. OPM has not recognized this to be binding in other cases and further litigation is anticipated.

In view of the circumstances, OPM is not in a position to predict with any certainty the ultimate number and amount of additional survivor annuity payments that may result from this issue.

G. Changes in Actuarial Assumptions and Methods

The 1982 Board of Actuaries' valuation of the CSRS changed all of the demographic assumptions and the real interest rate assumption on which calculations of the normal cost, the actuarial present value of accumulated Plan benefits and the actuarial present value of future benefits are based. The new demographic assumptions are generally based on 1977 to 1982 experience. Some of the major decisions and changes in these assumptions follow.

1. Disability and involuntary retirement rates have dropped dramatically in recent years—about 50 percent. However, this reduces the normal cost by only 0.6 percent of payroll.
2. Benefits are paid for a longer period of time because nondisability mortality rates decreased and there are fewer remarriages of survivors before age 60. These two changes cause an increase in the normal cost of one percent of pay. (As was the practice for this assumption in prior reports, we continued to reduce nondisability mortality experience by 10 percent to account for future mortality improvement.)
3. Withdrawal rates decreased dramatically, especially for women. This increased the normal cost by 3.5 percent of pay.
4. The salary scale and certain retirement rates were formerly only a function of age. Now they are also a function of service. The salary scale is slightly lower also, and this caused a decrease in the normal cost of 1.3 percent of pay.

The net effect of all the changes in demographic assumptions was to increase the normal cost by 3.5 percent.

Increasing the real interest assumption from one percent to 1.5 percent was justified by the recent high real returns and from observing their effect on average real interest rates over the past 30 years. The effect of the change in real interest rates alone is to reduce the normal cost by 5.1 percent of payroll. Thus, the net effect of changing both the economic (interest rate) and demographic assumptions is to decrease the normal cost by 1.6 percent of pay.

The net effect of the preceding changes in assumptions decreased the present value of accumulated plan benefits by $3.4 billion and decreased the unfunded liability by $4.9 billion, both as of September 30, 1984.

H. Refunds

Employees who are separated from Government service or transferred to a position which is not covered by the CSRS are entitled to a refund of their accumulated retirement deductions under certain conditions. Employees with more than five years of service may leave their accumulated retirement deductions in the Fund, thereby entitling them to a deferred annuity at age 62. Refunds of retirement contributions are not classified on a current or prior year basis. Therefore, all refunds were considered refunds of prior year contributions.

I. Subsequent Events

1. The Civil Service Retirement Spouse Equity Act of 1984, P.L. 98-615, was enacted on November 8, 1984. The law was effective (for most purposes) on May 7, 1985, and amends the CSRS in the following major ways:
   - permits the election of survivor annuities for certain former spouses at and after retirement;
   - requires OPM to comply with court decrees or orders which provide for survivor annuities for certain former spouses;
   - requires the written consent of an employee's current spouse before that employee can elect an annuity without full survivor benefits;
   - requires that an employee notify his or her current spouse and certain former spouses when applying for a refund of retirement contributions;
   - bars the payment of a refund of retirement contributions if a qualifying court order specifically mentions the refund and payment of the refund would extinguish the rights of a former spouse to annuity payments;
   - changes the remarriage termination age for certain survivor annuitants who can now remarry after reaching age 55 (formerly age 60) without losing benefits;
   - changes the marriage duration requirement for certain widows/widowers to nine months (formerly one year);
   - allows married employees to elect, at time of retirement, an insurable interest survivor annuity (formerly available only to unmarried employees); and
   - establishes a new direct Treasury transfer payment to the CSRS to cover the cost of a limited number of survivor annuities that would not have been allowed prior to the Act.

   OPM is not in a position to estimate the number and amount of additional survivor annuities that will result from the enactment of this law. However, a portion of the cost of survivor annuities, that would not have been allowed before the Act, is funded by a direct Treasury transfer payment which should mitigate the impact of the law on the Fund.

2. On December 24, 1984, the Board of Arbitrators for the 1984-87 employee-management agreement between the Postal Service and its employees published its opinion and award. The award provided for guaranteed 2.7 percent pay increases effective July 21, 1984, July 20, 1985, and July 19, 1986. The retroactive pay increase for July 21, 1984, is not reflected in the accrual basis assets as of the end of Fiscal Year 1984. However, we do not feel this would be material in relation to the overall financial statements. Pay COLA's from the preceding collective bargaining agreement become effective for certain employees close to retirement (see Note C(3)). The pay COLA for the remainder of the employees is rolled into basic pay three years later.

Federal Employees Health Benefits Program

Program Highlights

Large Open Season Enrollment Shifts Continue

Large numbers of Federal enrollees changed plans and options during the Open Season for the 1984 contract year, held in the fall of 1983. Approximately 400,000 Federal employees and annuitants changed their health coverage, compared with 300,000 in May 1982 and 500,000 in November 1982. Plan enrollments, including net changes by plan, are shown in Exhibit H7.

These enrollment changes favored lower cost plans and options, for the most part, but did not result in any change in the "Big Six," the plans used to determine the Government contribution to FEHB premiums.

By law (5 U.S.C. 8906), the "Big Six" is comprised of the two Government-wide plans (Aetna and Blue Cross), the two employee organization plans with the largest Federal enrollments and the two comprehensive medical plans with the largest Federal enrollments. The Government contribution toward a nonpostal enrollee's health insurance premium is 60 percent of the simple average premiums of the "Big Six" premiums for high option self-only and self-and-family but cannot exceed 75 percent of the premium for the plan in which enrolled.

Composition of the employee organization plan component of the "Big Six" has changed twice as a result of enrollment shifts in the two previous Open Seasons. Following the May 1982 Open Season, the Mail Handlers Plan displaced the American Postal Workers Union (APWU) Plan and after the November 1982 Open Season the Government Employees Hospital Association (GEHA) displaced the National Association of Letter Carriers (NALC) Plan.

Enrollment shifts during the November 1983 Open Season continued to favor the relatively lower cost Mail Handlers and GEHA Plans while the displaced APWU and NALC Plans continued to lose enrollment, as shown below.

Plan	Percent Change in Enrollment, 1984 vs. 1983	1984 Biweekly Family Premium
APWU	(19.5)	$98.70
NALC	(13.1)	98.07
MAIL HANDLERS		
High Option	20.9	72.11
Standard Option ...	23.3	59.27
GEHA	15.9	71.25

Low cost options within the Government-wide plans also gained enrollment. Over 145,000 enrollees left High Option Blue Cross and Blue Shield while the Blues' Standard Option gained over 130,000 enrollees. More than half the Standard Option gains came from the Blues' own High Option.

Enrollee shifts to lower cost plans over the past three open seasons are displayed graphically in Exhibit H5 which presents Government and enrollee weighted average monthly costs for health benefits before and after the last three open seasons. These costs are contrasted with what they would have been had no enrollees made open season changes. On the average, in 1984 the Government paid $93.97 per enrollee per month for health benefits, an 11.3 percent increase over 1983. The employee's average share for 1984 was $57.39, an increase of only 7.8 percent over the previous year. The comparable increase for 1983 was 16.8 percent.

Total FEHB Enrollment Up; Employee Organization and Comprehensive Plans Continue Gains

Total FEHB enrollment increased for FY 1984 by 2.1 percent. Annuitant enrollments increased by 2.5 percent and employee enrollments by 1.9 percent, as shown in Exhibits H1 and H2. These percentages are consistent with changes in the underlying populations: the annuity roll increased by 2.3 percent in FY 1984 and the number of Federal employees with permanent appointments increased by 2.0 percent.

Employee organization and comprehensive plans continued to increase their penetration of the Federal market, as shown in Exhibit H3. For the first time in the history of the Program, the Government-wide plans held less than half of this market: 48 percent. The employee organization plans enrolled 38 percent, up from 37 percent in 1983, and enrollment in comprehensive medical plans, or HMO's, increased by two percentage points, to 14 percent.

Employee decisions are primarily responsible for this shift away from Government-wide plans. As shown in Exhibit H4, over three-fourths of the employee members of the FEHBP were enrolled in Government-wide plans in 1975 but only a third in 1984. Annuitants, on the other hand, tended to stay with the Government-wides. The proportion of annuitants enrolled in these plans declined only from eighty percent in 1975 to approximately two-thirds in 1984. Employee organization plan and comprehensive plan gains were also moderated by the increasing proportion of annuitants in the Program: up from 28 percent in 1975 to 38 percent in 1984.

Thirty-three comprehensive medical plans entered the Program in 1984, nine in states or counties not previously served by an HMO under the Program. As these plans become more numerous, and as they appear in more parts of the country, their share of the Program can be expected to increase.

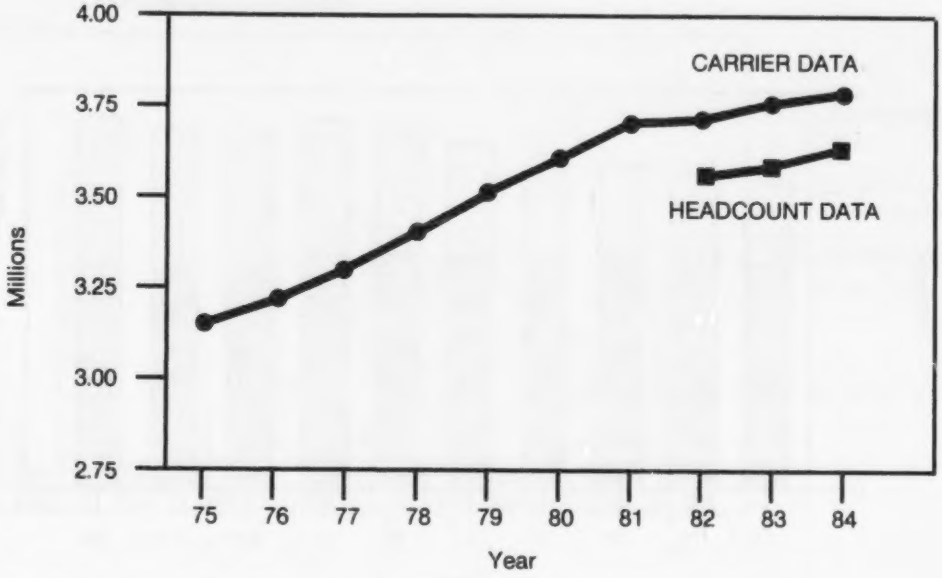
Regulatory Changes

Opportunities to enroll in the FEHBP were expanded in FY 1984 for certain eligible employees who lose health insurance coverage outside the FEHB Program. On January 9, 1984, the Office of Personnel Management published regulations in the Federal Register (Vol. 49, No. 5) which established the following:

- An employee who is not enrolled, but is covered as a family member by another Federally-sponsored health benefits program or under the Retired Federal Employees Health Benefits Program and loses that coverage, may register to be enrolled within 31 days after the termination of coverage. If the termination of coverage is due to the death of the enrollee, the employee has 60 days to register to be enrolled.
- An employee may register to enroll when he or she loses coverage under a spouse's non-Federal enrollment because of certain events including the following: when the employee is given a directed reassignment out of the commuting area and the spouse terminates his/her employment to accompany the employee, or when the non-Federally employed spouse is involuntarily separated from his/her employment because of a lay-off.

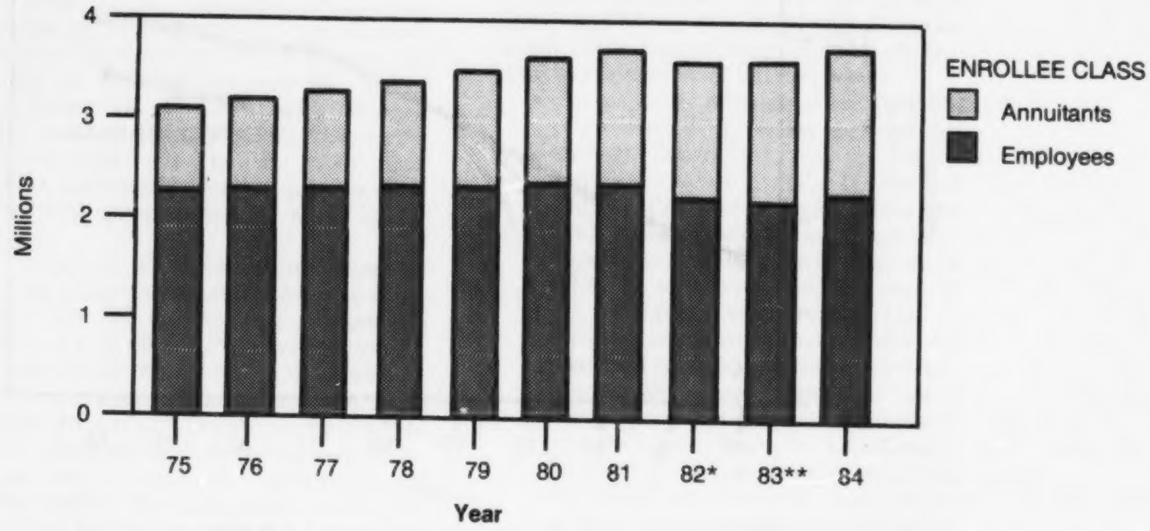
Statistical Exhibits

Exhibit H1: Total FEHB Program Enrollment for All Plans by Year, 1975-1984



Data Sources: 1975-1984: carrier reports; 1982-1984: semiannual Headcount Reports.
As of Dates: 1975-1980: June 30; 1981-1984: September 30.
Note: Starting with FY 1982, semiannual headcount data are used as the basis for the tables and graphs presented in this section. Because carrier reports have been found to be overstated, this change results in an apparent decline in total enrollment for 1982. For comparison purposes, both totals will continue to be shown in this exhibit. Headcount reports are not available for 1975-1981.

Exhibit H2: FEHB Program Enrollment by Class by Year, 1975-1984



* See note for Exhibit H1.

**For 1983, 37,391 annuitants in retirement systems other than the CSRS, also eligible for the FEHBP, were counted as annuitants for the first time. Previously, they had been counted as employees. The corrected numbers of employees and annuitants as of September 30, 1982, used in this exhibit, are 2,239,248 and 1,318,898, respectively.

Date Sources: 1975-1981: carrier reports; 1982-1984: semiannual Headcount Reports.
As of Dates: 1975-1980: June 30; 1981-1984: September 30.

Exhibit H3: Total FEHB Program Enrollment by Plan Type by Year, 1975-1984, in Percentages

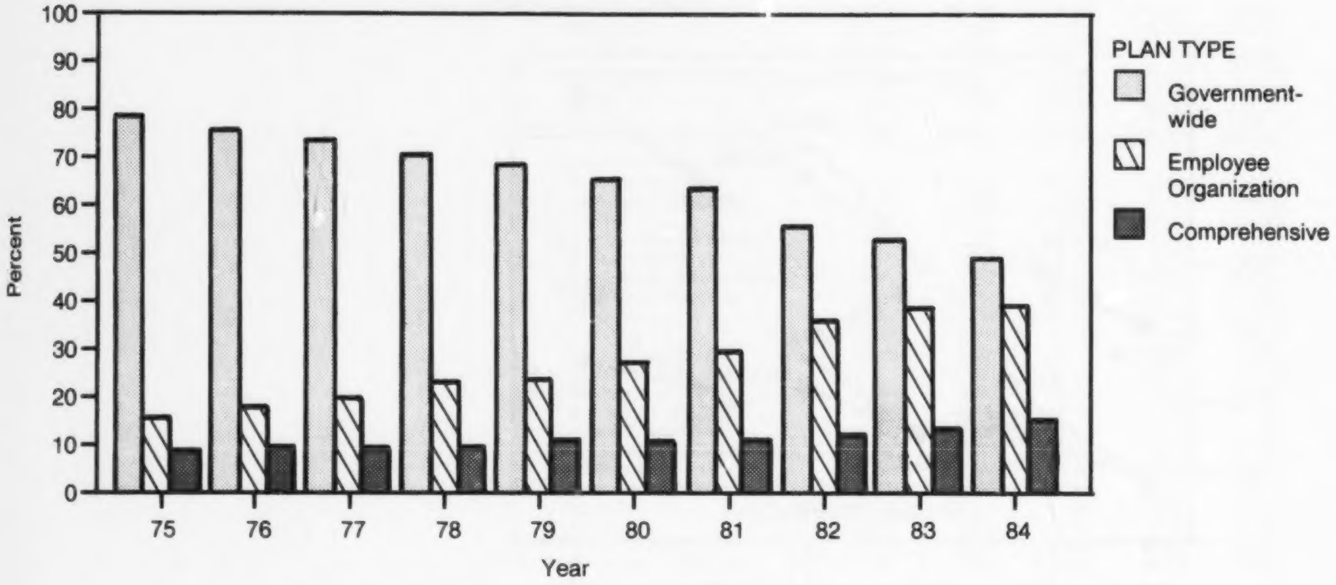
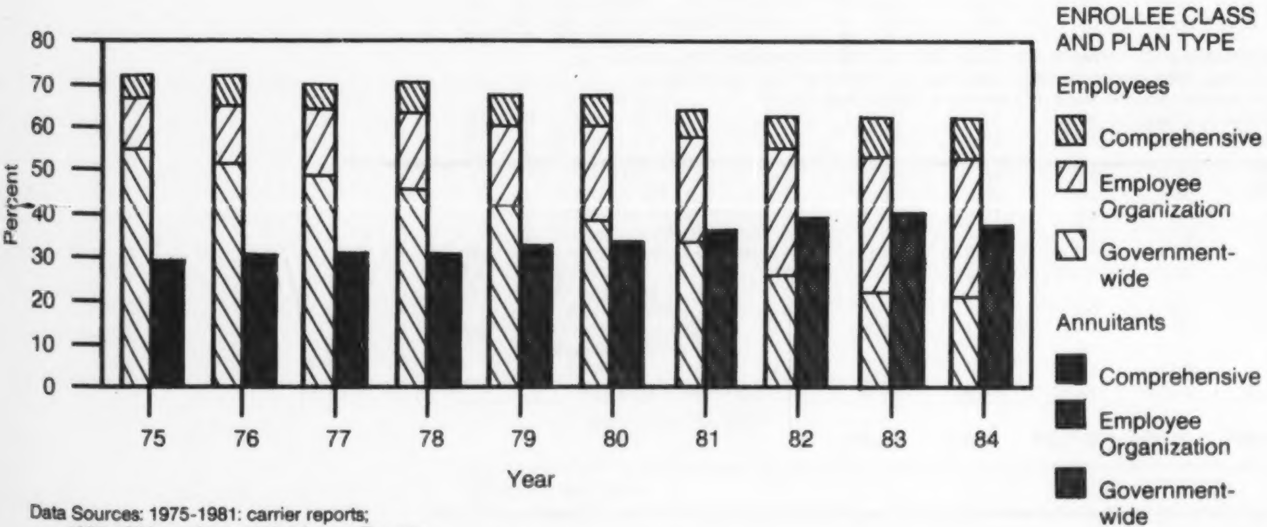
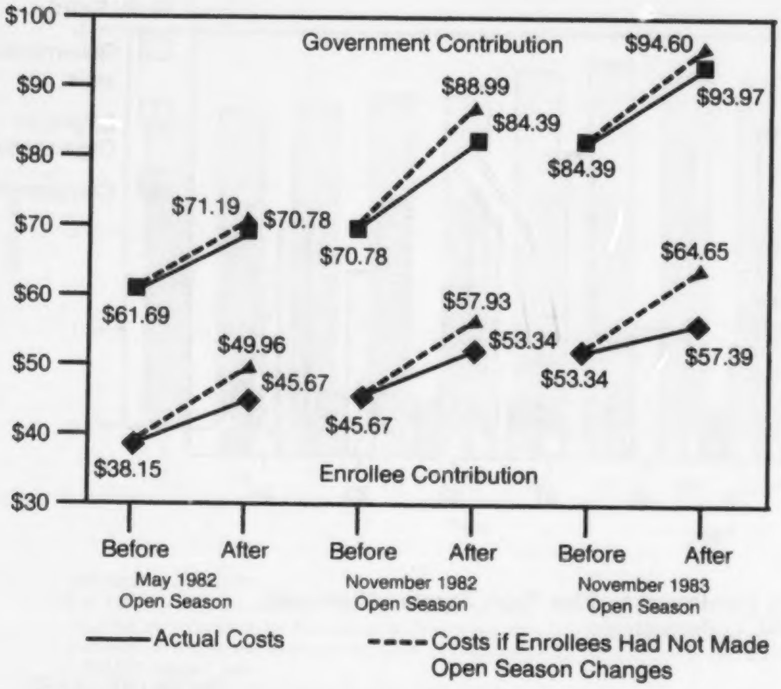


Exhibit H4: FEHB Program Enrollment by Plan Type, Enrollee Class and Year, 1975-1984, in Percentages



Data Sources: 1975-1981: carrier reports;
1982-1984: semiannual Headcount Reports.
As of Dates: 1975-1980: June 30; 1981-1984: September 30.

Exhibit H5: Government and Enrollee Projected and Actual Weighted Average Monthly Costs for Health Benefits Before and After Recent Open Seasons



Data Sources: 1981: carrier reports; 1982-1984: semiannual Headcount Reports.
As of Dates: 1981: March 30; 1982: September 30; 1983 and 1984: March 30.
Note: analysis limited to plans participating in FEHBP both before and after open season.

Exhibit H6: Number of Employees, Annuitants and Dependents Covered Under the FEHB Program, September 30, 1984

State, Enrollment Code and Plan			Enrollees				
			Employees	Annuitants	Total Enrollment	Dependents*	Total Coverage
		EXPERIENCE-RATED PLANS					
		Government-wide Plans					
	10	Blue Cross and Blue Shield	664,835	748,772	1,413,607	1,412,719	2,826,326
		High Option	251,513	470,088	721,601	699,953	1,421,554
		Low Option	413,322	278,684	692,006	712,766	1,404,772
	26	Aetna Life insurance Company	101,871	235,631	337,502	473,640	811,142
		High Option	70,101	143,769	213,870	307,973	521,843
		Low Option	31,770	91,862	123,632	165,667	289,299
		Total Government-wide Plans	**766,706**	**984,403**	**1,751,109**	**1,888,359**	**3,637,468**
		Employee Organization Plans					
	30	AFGE Health Benefit Plan	22,990	13,525	36,515	38,341	74,856
	46	Alliance Health Benefit Plan	36,468	11,957	48,425	41,161	89,586
	47	APWU Plan	65,931	59,791	125,722	144,580	270,302
	40	Foreign Service Benefit Plan	6,304	4,113	10,417	9,896	20,313
	41	GEBA Health Benefit Plan	3,100	2,054	5,154	6,030	11,184
	31	Gov't Employees Hospital Assn	256,178	48,311	304,489	520,676	825,165
	45	Mail Handlers Benefit Plan	364,792	29,768	394,560	798,498	1,193,058
		High Option	353,957	27,260	381,217	777,683	1,158,900
		Low Option	10,835	2,508	13,343	20,815	34,158
	YJ	NAGE Health Benefit Plan	14,555	3,187	17,742	31,936	49,678
	32	NALC Health Benefit Plan	135,101	71,331	206,432	328,227	534,659
	YP	NAPUS Health Benefit Plan	15,944	3,893	19,837	33,525	53,362
	YR	NFFE Health Benefit Plan	27,340	2,345	29,685	47,496	77,181
	YJ	NTEU Health Benefit Plan	5,049	1,168	6,217	5,782	11,999
	47	Panama Canal Area Benefit Plan	8,402	8,494	16,896	30,413	47,309
	YV	Postal Supervisors	42,478	4,085	46,563	65,188	111,751
	36	Postmasters Benefit Plan	50,769	9,487	60,256	121,258	181,514
		High Option	47,138	7,675	54,813	115,107	169,920
		Low Option	3,631	1,812	5,443	6,151	11,594
	38	Rural Carrier Benefit Plan	21,200	22,780	43,980	87,520	131,500
	44	SAMBA Health Benefit Plan	17,278	6,367	23,645	49,418	73,063
		Total Employee Organization Plans	**1,093,987**	**302,656**	**1,396,535**	**2,359,945**	**3,756,480**
		Comprehensive Plans					
CA	CN	NHA Found. for Medical Care	1,093	194	1,287	2,265	3,552
	61	Ross-Loos Medical Group	853	279	1,132	702	1,834
DC	E1	CHOICE HealthCare Plan	2,517	57	2,574	3,990	6,564
HI	87	HMSA Plan	13,422	7,611	21,033	30,288	51,321
ID	81	Med. Service Bureau of Idaho	558	264	822	1,249	2,071
MN	LP	HMO Minnesota (CMP Network)	432	73	505	843	1,348
NJ	LR	Mercer Medigroup (CMP Network)	33	8	41	42	83
NM	P6	Lovelace Health Plan	3,172	462	3,634	6,214	9,848
NY	80	GHI Health Plan	44,492	8,476	52,968	91,635	144,603
OH	R5	Greater Miami Valley Hlth. Plan	1,250	128	1,378	1,929	3,307
	14	HMP/Cincinnati	856	90	946	1,684	2,630
	RA	HMP/Warren-Youngstown	268	21	289	581	870
	RJ	Western Ohio Hlth. Care Plan	94	9	103	136	239
OR	84	National Hospital Assn. Plan	2,150	1,064	3,214	3,889	7,103
PR	89	SSS Plan	8,923	3,666	12,589	25,807	38,396
IN	LV	IPA Apple Plan (CMP Network)	524	66	590	661	1,251
WA	VT	Kitsap Physicians Service	2,032	1,713	3,745	4,681	8,426
	83	Washington Physicians Service	5,593	4,362	9,955	11,846	21,801
		Total Comprehensive Plans	**88,262**	**28,543**	**116,805**	**188,442**	**305,247**
		TOTAL EXPERIENCE-RATED PLANS	**1,948,847**	**1,315,602**	**3,264,449**	**4,434,746**	**7,699,195**

See notes at end of table.

Exhibit H6: Number of Employees, Annuitants and Dependents Covered Under the FEHB Program, September 30, 1984
(Continued)

State, Enrollment Code and Plan			Enrollees				
			Employees	Annuitants	Total Enrollment	Dependents*	Total Coverage
		COMMUNITY-RATED COMPREHENSIVE PLANS					
AL	LA	HMG of Birmingham (CMP Network)	57	8	65	112	177
AZ	16	CIGNA Healthplan of AZ, Phoenix	2,604	829	3,433	5,836	9,269
	B1	CIGNA Healthplan of AZ, Tucson	1,360	303	1,663	2,794	4,457
	23	PimaCare	617	164	781	1,343	2,124
CA	BU	Bay Pacific Health Plan	474	58	532	527	1,059
	66	FHP	4,364	818	5,182	10,675	15,857
	C6	Foundation Health Plan	2,020	404	2,424	3,733	6,157
	C7	Gen. Med. Centers Health Plan	791	36	827	1,356	2,183
	C9	HEALTHCARE	169	19	188	226	414
	LB	Health Net (CMP Network)	553	83	636	598	1,234
	CB	Inland Health Plan	178	21	199	279	478
	CC	Institute for Preventive Med.	1,149	139	1,288	2,409	3,697
	59	Kaiser Found. Hlth Plan, N. CA	53,759	26,304	80,063	104,883	184,946
	62	Kaiser Found. Hlth Plan, S. CA	46,002	15,359	61,361	87,133	148,494
	CM	Maxicare Plan	435	33	468	468	936
	CQ	PacifiCare	174	17	191	185	376
	CP	Rockridge Health Care Plan	497	26	523	507	1,030
	LC	TakeCare (CMP Network)	1,053	124	1,177	1,695	2,872
CO	D6	COMPRECARE Health Plan	1,758	209	1,967	2,911	4,878
	L2	HMO Colorado (CMP Network)	240	19	259	373	632
	65	Kaiser Found. Hlth Plan of CO	8,421	1,394	9,815	14,428	24,243
	DD	Peak Health Plan	972	157	1,129	2,055	3,184
	68	Rocky Mountain HMO	274	103	377	584	961
CT	71	Community Hlth Care Center Plan	1,282	218	1,500	2,040	3,540
	LE	CT Health Plan (CMP Network)	151	19	170	230	400
	DK	HealthCare	367	13	380	657	1,037
	DM	Kaiser Found. Health Plan, CT	294	12	306	367	673
	DP	Physicians Health Services	390	44	434	629	1,063
DC	E5	GW University Health Plan	6,297	451	6,748	5,128	11,876
	50	Group Health Association	20,588	6,441	27,029	31,644	58,673
		High Option	14,201	4,993	19,194	23,417	42,611
		Low Option	6,387	1,448	7,835	8,227	16,062
	E3	Kaiser-Georgetown Comm. Health	14,675	977	15,652	22,852	38,504
FL	EM	AV-MED Health Plan	361	24	385	770	1,155
	ET	CAC Health Plan	287	19	306	487	793
	EK	INA Healthplan	193	77	270	232	502
	ES	South FL Group Health	218	9	227	275	502
GA	EW	Georgia Medical Plan	757	25	782	1,157	1,939
	EX	HealthCare	936	101	1,037	1,794	2,831
	EZ	PruCare of Atlanta	672	27	699	699	1,398
GU	28	Health Maintenance Life Ins. Co.	687	81	768	2,442	3,210
HI	F6	HMSA's Community Hlth Program	1,392	443	1,835	2,349	4,184
	63	Kaiser Found. Health Plan, HI	4,763	3,734	8,497	11,641	20,138
IL	17	ANCHOR Org. for Hlth Maintenance	2,911	142	3,053	3,511	6,564
	LH	Blackhawk HAP/HMO IL (CMP Net.)	93	5	98	210	308
	LG	Foundation Program (CMP Net.)	200	25	225	252	477
	LF	Health Assur./HMO IL (CMP Net.)	134	25	159	188	347
	FV	Maxicare Illinois	518	33	551	782	1,333
	75	Michael Reese Health Plan	3,329	377	3,706	4,929	8,635
	64	PruCare of Illinois	790	56	846	1,286	2,132
	76	Union Health Service	416	27	443	377	820

See notes at end of table.

Exhibit H6: Number of Employees, Annuitants and Dependents Covered Under the FEHB Program, September 30, 1984 *(Continued)*

			Enrollees				
		State, Enrollment Code and Plan	**Employees**	**Annuitants**	**Total Enrollment**	**Dependents***	**Total Coverage**
		COMMUNITY-RATED PLANS *(Cont.)*					
IN	**GK**	Metro-Health Plan	2,964	177	3,141	4,931	8,072
	GN	Summit Health	102	12	114	213	327
KS	**HA**	Kansas City Health Care	269	14	283	441	724
KY	**18**	Healthcare of Louisville	487	46	533	874	1,407
	19	Healthcare of the Bluegrass	348	48	396	760	1,156
LA	**LJ**	Baton Rouge HMP (CMP Network)	101	18	119	253	372
MD	**67**	Columbia Medical Plan	3,576	272	3,848	6,118	9,966
	LD	Free State Health (CMP Network)	728	45	773	750	1,523
	JN	HealthPlus	429	32	461	636	1,097
	JP	MD-Individual Practice Assn.	1,407	72	1,479	1,982	3,461
MA	**JV**	Fallon Community Health Plan	379	76	455	733	1,188
	6B	Harvard Community Health Plan	2,886	490	3,376	3,545	6,921
	JY	Healthway Medical Plan	689	85	774	1,516	2,290
	JX	Lahey Clinic-BC/BS HMP	915	145	1,060	1,548	2,608
	JT	Med. East Community Hlth Plan	240	34	274	471	745
	JZ	Med. West Community Hlth Plan	817	109	926	1,824	2,750
	KO	Multi-Group Health Plan	736	43	779	1,426	2,205
	JV	Pilgrim Health Care	921	81	1,002	2,214	3,216
	K2	Tufts Associated Health Plan	530	39	569	910	1,479
	K1	Valley Health Plan	371	53	424	691	1,115
	JS	West Suburban Health Care Plan	81	7	88	150	238
MI	**K3**	Comp. Health Svc. of Detroit	154	13	167	177	344
	K4	Genesee Health Care	438	18	456	866	1,322
	K6	Group Health Plan of SE MI	1,167	62	1,229	2,065	3,294
	K5	Group Health Service of MI	366	29	395	770	1,165
	52	Health Alliance Plan	2,171	250	2,421	3,898	6,319
	LX	Health Care Network (CMP Net.)	482	9	491	432	923
	LN	Health Central (CMP Network)	232	18	250	395	645
	KC	Independence Health Plan	194	7	201	354	555
	KA	Michigan HMO Plans	673	23	696	926	1,622
MN	**KK**	Group Health Assn. of NE MN	39	6	45	87	132
	53	Group Health Plan	7,561	1,101	8,662	14,292	22,954
	KT	MedCenters Health Plan	449	93	542	732	1,274
	11	SHARE Health Plan	1,118	195	1,313	1,772	3,085
MO	**MM**	Group Health Plan of St. Louis	1,641	84	1,725	2,726	4,451
	12	Medical Care Group	2,110	329	2,439	3,439	5,878
	MS	Prime Health	1,264	107	1,371	2,070	3,441
	LZ	Total Health Care (CMP Net.)	918	114	1,032	1,672	2,704
NV	**NM**	Health Plan of Nevada	101	37	138	128	266
NH	**NX**	Matthew Thornton Health Plan	316	40	356	723	1,079
NJ	**P4**	CoMED	320	36	356	584	940
	P6	Crossroads Health Plan	617	38	655	1,035	1,690
	P8	Health Care Plan of New Jersey	1,735	200	1,935	3,348	5,283
	P3	HMO of New Jersey	4,385	219	4,604	8,471	13,075
	PC	Healthways	687	49	736	1,067	1,803
	P9	HIP of Greater New Jersey	240	23	263	381	644
	PA	Rutgers Community Health Plan	999	138	1,137	1,842	2,979
	PB	Southshore Health Plan	663	72	735	1,499	2,234
NY	**15**	BC/BS of Greater New York HMO	789	191	980	1,245	2,225
	PW	Capital Area Community Health	1,306	198	1,504	2,828	4,332
	21	Genesee Valley GHA	381	75	456	752	1,208
	Q8	Health Care Plan	549	80	629	1,107	1,736
	51	Health Insurance Plan (HIP/HMO)	16,256	3,875	20,131	27,982	48,113

See notes at end of table.

Exhibit H6: Number of Employees, Annuitants and Dependents Covered Under the FEHB Program, September 30, 1984
(Continued)

State, Enrollment Code and Plan			Enrollees				
			Employees	Annuitants	Total Enrollment	Dependents*	Total Coverage
		COMMUNITY-RATED PLANS *(Cont.)*					
NY	QB	HealthShield	88	13	101	155	256
	QA	Independent Health Assn	290	24	314	534	848
	QE	Prepaid Health Plan	238	23	261	510	771
	QH	Westchester Community Health	544	66	610	762	1,372
OH	L4	Euclid-Mentor (CMP Net.)	65	5	70	97	167
	R6	Group Health Plan of NE OH	276	13	289	425	714
	L3	Health Guard (CMP Net.)	139	11	150	255	405
	R4	Health One	1,065	52	1,117	1,921	3,038
	64	Kaiser Found. Health Plan of OH	2,695	507	3,202	4,867	8,069
	RF	Marion HMO	61	19	80	128	208
OK	RR	PruCare of Oklahoma City	1,024	98	1,122	1,088	2,210
	RS	PruCare of Tulsa	115	10	125	168	293
OR	LS	Capitol Health Care (CMP Net.)	66	20	86	164	250
	57	Kaiser Found. Health Plan of OR	7,540	3,605	11,145	16,383	27,528
	S9	Phys. Assn. of Clackamas Co.	122	27	149	267	416
	SD	SelectCare	389	57	446	740	1,186
PA	SF	Alle-Kiski Valley Health Plan	124	22	146	244	390
	24	Central Medical Health Services	824	154	978	1,584	2,562
	SN	Delaware Valley HMO	556	49	605	932	1,537
	49	Health Service Plan of PA	1,994	424	2,418	3,337	5,755
	SV	HMO of PA	12,654	885	13,539	22,339	35,878
	26	Penn Group Health Plan	1,108	130	1,238	2,278	3,516
	27	The Philadelphia Health Plan	1,832	237	2,069	2,710	4,779
RI	LU	Blackstone Valley (CMP Net.)	54	10	64	128	192
	70	RIGHA Health Plan	1,723	332	2,055	3,514	5,569
TN	UB	PruCare of Memphis	306	20	326	580	906
	UA	PruCare of Nashville	512	34	546	868	1,414
TX	UF	Centroplex Health Plan	2,627	460	3,087	4,939	8,026
	UG	CIGNA Healthplan, Dallas Div.	612	42	654	1,073	1,727
	UH	CIGNA Healthplan, Houston Div.	179	5	184	210	394
	UR	Good Health Plus	3,462	282	3,744	8,050	11,794
	UK	Kaiser Found. Health Plan of TX	1,978	147	2,125	3,379	5,504
	UM	Maxicare Texas	839	27	866	1,368	2,234
	UP	PruCare Health Plan	1,049	50	1,099	1,769	2,868
	UN	PruCare of Austin	816	46	862	1,259	2,121
VA	V6	PruCare of Richmond	206	29	235	308	543
WA	54	Grp. Hlth. Coop. of Puget Sound	11,997	3,451	15,448	23,326	38,774
	VR	Group Health of Spokane	448	85	533	917	1,450
WI	69	Compcare Health Plan	2,134	187	2,321	3,667	5,988
	WH	Family Health Plan	567	44	611	1,069	1,680
	WJ	Group Health Coop. of SC WI	835	40	875	1,225	2,100
		TOTAL COMMUNITY-RATED PLANS	**324,072**	**81,401**	**405,473**	**583,226**	**988,699**
		GRAND TOTAL ALL PLANS	**2,272,919**	**1,397,003**	**3,669,922**	**5,017,972**	**8,687,894**

*Dependents are not counted in the Headcount Report. They are estimated using this formula:

(Carrier Data) (Headcount Data)

$$\frac{\#\ \text{Dependents}}{\text{Total}\ \#\ \text{Enrollees}} \times \text{Total}\ \#\ \text{Enrollees}$$

Data Source: Semiannual Headcount Report.
As of Date: September 30, 1984.

Exhibit H7: FEHB Program Self Only and Self and Family Enrollments and Premiums as of September 30, 1984, and Net Change in Six Month Period Encompassing 1984 Open Season*

			Enrollment				Biweekly Subscription Charge***	
State, Enrollment Code and Plan			Total	Self	Family	Net Change**	Self	Family
		EXPERIENCE-RATED PLANS						
		Government-wide Plans						
	10	Blue Cross and Blue Shield	1,413,607	623,020	790,587	(15,047)	----	----
		High Option	721,601	354,103	367,498	(146,822)	$53.63	$117.35
		Low Option	692,006	268,917	423,089	131,775	28.76	68.60
	20	Aetna Life Insurance Company	337,502	146,947	190,555	(49,156)	----	----
		High Option	213,870	90,128	123,742	(71,465)	55.63	102.60
		Low Option	123,632	56,819	66,813	22,309	29.40	62.56
		Total Government-wide Plans	**1,751,109**	**769,967**	**981,142**	**(64,203)**	----	----
		Employee Organization Plans						
	30	AFGE Health Benefit Plan	36,515	10,127	26,388	(4,590)	$40.40	$86.88
	46	Alliance Health Benefit Plan	48,425	21,522	26,903	6,706	32.24	85.57
	47	APWU Plan	125,722	45,494	80,228	(28,710)	46.14	98.70
	40	Foreign Service Benefit Plan	10,417	3,780	6,637	(325)	35.68	90.50
	41	GEBA Health Benefit Plan	5,154	2,751	2,403	(303)	45.67	109.79
	31	Gov't Employees Hospital Assn.	304,489	62,296	242,193	40,671	33.85	71.25
	45	Mail Handlers Benefit Plan	394,560	95,822	298,738	61,124	----	----
		High Option	381,217	92,437	288,780	58,049	27.92	72.11
		Low Option	13,343	3,385	9,958	3,075	25.06	59.27
	YJ	NAGE Health Benefit Plan	17,742	5,065	12,677	(10,566)	44.76	105.74
	32	NALC Health Benefit Plan	206,432	47,599	158,833	(29,839)	48.06	98.07
	YP	NAPUS Health Benefit Plan	19,837	2,131	17,706	4,077	29.98	63.24
	YR	NFFE Health Benefit Plan	29,685	9,287	20,398	14,635	39.52	90.85
	YT	NTEU Health Benefit Plan	6,217	2,661	3,556	(1,453)	43.68	98.26
	43	Panama Canal Area Benefit Plan	16,896	5,262	11,634	(523)	40.98	101.61
	YV	Postal Supervisors	46,563	3,216	43,347	12,497	42.48	80.32
	36	Postmasters Benefit Plan	60,256	17,577	42,679	(2,985)	----	----
		High Option	54,813	15,220	39,593	(3,969)	53.27	115.03
		Low Option	5,443	2,357	3,086	984	15.60	37.80
	38	Rural Carrier Benefit Plan	43,980	8,997	34,983	(68)	44.20	85.18
	44	SAMBA Health Benefit Plan	23,645	8,128	15,517	707	33.72	85.83
		Total Employee Organization Plans	**1,396,535**	**351,715**	**1,044,820**	**61,055**	----	----
		Comprehensive Plans						
CA	CN	NHA Found. for Medical Care	1,287	476	811	(307)	$51.77	$120.65
	61	Ross Loos Medical Group	1,132	536	596	(62)	44.37	109.20
DC	E1	CHOICE HealthCare Plan	2,574	1,029	1,545	2,437	38.94	95.36
HI	87	HMSA Plan	21,033	6,871	14,162	395	25.25	62.64
ID	81	Med. Service Bureau of Idaho	822	314	508	135	43.28	108.36
MN	LP	HMO Minnesota (CMP Net.)	505	177	328	134	29.27	86.93
NJ	LR	Mercer Medigroup (CMP Net.)	41	24	17	(6)	31.56	89.00
NM	PG	Lovelace Health Plan	3,634	1,083	2,551	1,371	29.54	76.79
NY	80	GHI Health Plan	52,968	16,355	36,613	9,846	25.37	77.57
OH	R5	Greater Miami Valley Hlth Plan	1,378	626	752	490	38.23	99.77
	14	HMP/Cincinnati	946	404	542	118	37.89	97.35
	RA	HMP/Warren-Youngstown	289	79	210	116	35.56	92.44
	RJ	Western Ohio Hlth Care Plan	103	46	57	96	57.67	127.89
OR	84	National Hospital Assn Plan	3,214	1,608	1,606	(616)	43.48	113.08
PR	89	SSS Plan	12,589	2,338	10,251	1,071	18.15	57.34
TN	LV	IPA Apple Plan (CMP Net.)	590	317	273	(636)	46.96	134.15
WA	VT	Kitsap Physicians Service	3,745	1,635	2,110	(822)	55.66	118.73
	83	Washington Physicians Service	9,955	4,009	5,946	196	46.96	102.65
		Total Comprehensive Plans	**116,805**	**37,927**	**78,878**	**13,956**	----	----
		TOTAL EXPERIENCE-RATED PLANS	**3,264,449**	**1,159,609**	**2,104,840**	**10,808**	----	----

See notes at end of table.

Exhibit H7: FEHB Program Self Only and Self and Family Enrollments and Premiums as of September 30, 1984, and Net Change in Six Month Period Encompassing 1984 Open Season* *(Continued)*

State, Enrollment Code and Plan			Enrollment			Net Change**	Biweekly Subscription Charge***	
			Total	Self	Family		Self	Family
		COMMUNITY-RATED COMPREHENSIVE PLANS						
AL	LA	HMG of Birmingham (CMP Net.)	65	26	39	9	$34.44	$98.53
AZ	16	CIGNA Healthplan of AZ, Phoenix	3,433	1,145	2,288	343	37.60	90.28
	81	CIGNA Healthplan of AZ, Tucson	1,663	501	1,162	256	29.92	80.82
	23	PimaCare	781	217	564	215	28.68	75.71
CA	BU	Bay Pacific Health Plan	532	276	256	203	44.90	101.87
	66	FHP	5,182	1,718	3,464	164	40.02	103.58
	C6	Foundation Health Plan	2,424	893	1,531	1,172	37.53	89.61
	C7	Gen. Med. Centers Health Plan	827	302	525	25	33.84	87.99
	C9	HEALTHCARE	188	87	101	33	36.35	87.77
	LB	Health Net (CMP Net.)	636	388	248	103	41.92	110.45
	CB	Inland Health Plan	199	88	111	169	33.20	95.08
	CC	Institute for Preventive Med.	1,288	314	974	1,213	26.66	71.64
	59	Kaiser Found. Hlth Plan, N. CA	80,063	29,696	50,367	2,260	30.04	71.53
	62	Kaiser Found. Hlth Plan, S. CA	61,361	23,515	37,846	3,319	34.69	88.02
	CM	Maxicare Plan	468	270	198	79	43.91	116.81
	CQ	PacifiCare	191	114	77	107	41.13	111.58
	CP	Rockridge Health Care Plan	523	277	246	131	32.68	83.20
	LC	TakeCare (CMP Net.)	1,177	478	699	433	35.65	86.70
CO	D6	COMPRECARE Health Plan	1,967	822	1,145	397	33.74	88.38
	L2	HMO Colorado (CMP Net.)	259	110	149	207	31.93	86.18
	65	Kaiser Found. Hlth Plan of CO	9,815	3,964	5,851	865	31.95	83.45
	DD	Peak Health Plan	1,129	274	855	440	32.77	80.60
	88	Rocky Mountain HMO	377	107	270	34	40.19	97.73
CT	71	Community Hlth Care Center Plan	1,500	638	862	65	35.01	90.46
	LE	CT Health Plan (CMP Net.)	170	73	97	(79)	38.34	103.24
	DK	HealthCare	380	126	254	332	38.82	102.42
	DM	Kaiser Found. Health Plan, CT	306	153	153	273	32.17	83.63
	DP	Physicians Health Services	434	158	276	404	37.97	93.38
DC	E5	GW University Health Plan	6,748	4,470	2,278	(4)	40.38	104.18
	80	Group Health Association	27,029	13,046	13,983	3,473	----	----
		High Option	19,194	9,243	9,951	1,014	39.12	98.57
		Low Option	7,835	3,803	4,032	2,459	32.10	80.41
	E3	Kaiser-Georgetown Comm. Hlth	15,652	6,761	8,891	1,316	37.06	92.64
FL	EM	AV-MED Health Plan	365	88	297	340	48.18	101.20
	ET	CAC Health Plan	306	102	204	189	32.29	77.91
	EK	INA Healthplan	270	165	105	99	31.92	86.46
	E8	South FL Group Health	227	121	106	(171)	39.34	112.87
GA	EW	Georgia Medical Plan	782	343	439	687	36.55	97.59
	EX	HealthCare	1,037	342	695	13	41.09	96.42
	EZ	PruCare of Atlanta	699	433	266	(27)	39.87	112.67
GU	28	Health Maintenance Life Ins. Co.	768	108	660	(6)	34.37	101.33
HI	F6	HMSA's Comm. Hlth Program	1,835	865	970	(51)	32.57	90.78
	63	Kaiser Found. Health Plan, HI	8,497	3,264	5,233	247	26.75	71.94
IL	17	ANCHOR Org. for Hlth Maint.	3,053	1,652	1,401	575	34.00	98.60
	LH	Blackhawk HAP/HMO IL (CMP Net.)	98	20	78	50	36.65	88.92
	L6	Found. Program (CMP Net.)	225	132	93	(346)	45.98	129.69
	LF	Health Assur./HMO IL (CMP Net.)	159	81	78	(25)	47.57	109.18
	FQ	Maxicare Illinois	551	263	288	167	38.56	106.95
	75	Michael Reese Health Plan	3,706	1,603	2,103	264	36.89	97.91
	64	PruCare of Illinois	846	324	522	(9)	49.32	107.89
	76	Union Health Service	443	225	218	62	30.79	94.02

See notes at end of table.

Exhibit H7: FEHB Program Self Only and Self and Family Enrollments and Premiums as of September 30, 1984, and Net Change in Six Month Period Encompassing 1984 Open Season* *(Continued)*

State, Enrollment Code and Plan			Enrollment				Biweekly Subscription Charge***	
			Total	Self	Family	Net Change**	Self	Family
		COMMUNITY-RATED COMPREHENSIVE PLANS *(Cont.)*						
IN	GK	Metro-Health Plan	3,141	1,191	1,950	771	$30.79	$83.01
	GN	Summit Health	114	37	77	110	32.38	86.44
KS	NA	Kansas City Health Care	283	120	163	239	35.25	86.35
KY	18	Healthcare of Louisville	533	178	355	83	39.36	90.62
	19	Healthcare of the Bluegrass	396	106	290	67	33.65	77.50
LA	LJ	Baton Rouge HMP (CMP Net.)	119	39	80	(11)	34.02	109.04
MD	67	Columbia Medical Plan	3,848	1,684	2,164	776	33.45	86.60
	LB	Free State Health (CMP Net.)	773	441	332	218	33.97	94.01
	JN	HealthPlus	461	229	232	(108)	39.30	99.07
	JP	MD-Individual Practice Assn	1,479	688	791	828	31.97	85.70
MA	JV	Fallon Community Health Plan	455	138	317	175	31.04	81.21
	08	Harvard Community Hlth Plan	3,376	1,925	1,451	358	32.93	92.99
	JY	Healthway Medical Plan	774	226	548	125	28.98	78.84
	JX	Lahey Clinic-BC/BS HMP	1,060	438	622	433	33.09	100.34
	JT	Med. East Comm. Hlth Plan	274	99	175	238	31.27	86.36
	JZ	Med. West Comm. Hlth Plan	926	241	685	208	27.64	76.36
	K0	Multi-Group Health Plan	779	250	529	302	35.69	91.73
	JU	Pilgrim Health Care	1,002	210	792	938	33.62	87.41
	K2	Tufts Associated Health Plan	569	213	356	473	36.86	92.14
	K1	Valley Health Plan	424	127	297	100	26.56	69.95
	JS	West Suburban Hlth Care Plan	88	36	52	79	35.16	96.45
MI	K3	Comp. Health Svc. of Detroit	167	84	83	40	31.94	89.43
	K4	Genesee Health Care	456	130	326	400	40.31	95.19
	K6	Group Health Plan of SE MI	1,229	423	806	423	39.16	87.53
	K5	Group Health Service of MI	395	105	290	(21)	29.48	74.36
	52	Health Alliance Plan	2,421	862	1,559	432	41.17	97.07
	LX	Health Care Net. (CMP Net.)	491	331	160	159	28.90	103.33
	LN	Health Central (CMP Net.)	250	102	148	74	32.49	94.01
	KC	Independence Health Plan	201	61	140	171	48.09	104.85
	KA	Michigan HMO Plans	696	289	407	175	36.06	89.00
MN	KK	Group Health Assn. of NE MN	45	15	30	45	35.58	93.86
	53	Group Health Plan	8,662	3,042	5,620	1,025	24.37	72.68
	KT	MedCenters Health Plan	542	241	301	472	27.08	80.84
	11	SHARE Health Plan	1,313	603	710	331	28.65	82.52
MO	MM	Group Health Plan of St. Louis	1,725	749	976	357	34.10	84.49
	12	Medical Care Group	2,439	1,031	1,408	364	38.93	94.21
	MS	Prime Health	1,371	556	815	120	34.10	84.49
	LZ	Total Health Care (CMP Net.)	1,032	328	704	421	44.32	98.73
NV	NM	Health Plan of Nevada	138	76	62	117	43.16	111.23
NH	NX	Matthew Thornton Health Plan	356	75	281	95	26.22	76.39
NJ	P4	CoMED	356	110	246	153	30.19	79.38
	P6	Crossroads Health Plan	655	214	441	5	35.71	82.15
	P8	Health Care Plan of NJ	1,935	576	1,359	135	30.01	72.44
	P3	HMO of New Jersey	4,604	1,276	3,328	4,234	30.65	78.94
	PC	Healthways	736	291	445	705	36.06	98.81
	P9	HIP of Greater New Jersey	263	94	169	57	29.74	76.39
	PA	Rutgers Community Hlth Plan	1,137	320	817	248	28.04	63.81
	PB	Southshore Health Plan	735	164	571	178	32.13	75.19
NY	15	BC/BS of Greater NY HMO	980	392	588	61	41.33	94.71
	PW	Capital Area Comm. Health	1,504	396	1,108	353	26.69	70.36
	21	Genesee Valley GHA	456	157	299	(208)	28.27	72.01
	Q8	Health Care Plan	629	165	464	66	23.25	61.22
	51	Hlth Insurance Plan (HIP/HMO)	20,131	7,155	12,976	896	23.93	68.08

See notes at end of table.

Exhibit H7: FEHB Program Self Only and Self and Family Enrollments and Premiums as of September 30, 1984, and Net Change in Six Month Period Encompassing 1984 Open Season* *(Continued)*

State	Code	State, Enrollment Code and Plan	Enrollment Total	Enrollment Self	Enrollment Family	Net Change**	Biweekly Subscription Charge*** Self	Biweekly Subscription Charge*** Family
		COMMUNITY-RATED COMPREHENSIVE PLANS *(Cont.)*						
NY	QB	HealthShield	101	40	61	91	$26.22	$81.28
	QA	Independent Health Assn.	314	81	233	170	24.35	68.82
	QE	Prepaid Health Plan	261	67	194	85	23.46	61.80
	QH	Westchester Comm. Health	610	268	342	177	28.34	73.69
OH	L4	Euclid-Mentor (CMP Net.)	70	33	37	66	38.29	110.81
	R6	Group Health Plan of NE OH	289	124	165	204	33.85	91.26
	L3	Health Guard (CMP Net.)	150	53	97	145	32.90	88.87
	R4	Health One	1,117	416	701	591	34.14	86.96
	64	Kaiser Found. Hlth Plan of OH	3,202	1,274	1,928	207	33.30	88.52
	RF	Marion HMO	80	23	57	17	24.96	80.79
OK	RR	PruCare of Oklahoma City	1,122	713	409	477	32.99	108.92
	RS	PruCare of Tulsa	125	70	55	106	38.56	103.40
OR	LS	Capitol Health Care (CMP Net.)	86	29	57	15	44.21	109.20
	57	Kaiser Found. Hlth Plan of OR	11,145	3,716	7,429	858	29.03	75.22
	89	Phys. Assn. of Clackamas Co.	149	40	109	82	43.52	92.42
	80	SelectCare	446	170	276	(68)	38.89	103.23
PA	SF	Alle-Kiski Valley Health Plan	146	40	106	146	32.13	88.96
	24	Central Medical Hlth Services	978	355	623	223	36.63	89.61
	SN	Delaware Valley HMO	605	219	386	271	30.85	85.02
	49	Health Service Plan of PA	2,418	988	1,430	373	33.90	82.02
	SU	HMO of PA	13,539	4,446	9,093	5,290	30.63	77.31
	26	Penn Group Health Plan	1,238	375	863	351	33.76	86.00
	27	The Philadelphia Health Plan	2,069	872	1,197	586	35.84	79.91
	LU	Blackstone Valley (CMP Net.)	64	10	54	14	28.22	73.63
	70	RIGHA Health Plan	2,055	616	1,439	374	34.50	82.90
TN	UB	PruCare of Memphis	326	110	216	301	36.34	98.11
	UA	PruCare of Nashville	546	236	310	(90)	33.39	104.53
TX	UF	Centroplex Health Plan	3,087	910	2,177	1,451	29.90	80.19
	UG	CIGNA Healthplan, Dallas Div.	654	254	400	568	30.33	88.67
	UH	CIGNA Healthplan, Houston Div.	184	102	82	144	31.30	91.57
	UR	Good Health Plus	3,744	947	2,797	710	41.65	91.04
	UK	Kaiser Found. Hlth Plan of TX	2,125	822	1,303	38	30.65	84.76
	UM	Maxicare Texas	866	329	537	820	38.90	99.59
	UP	PruCare Health Plan	1,099	411	688	25	29.86	87.13
	UN	PruCare of Austin	862	404	458	419	37.16	92.89
VA	V6	PruCare of Richmond	235	117	118	212	42.99	112.41
WA	54	Grp. Hlth Coop. of Puget Sound	15,448	5,378	10,070	1,956	33.58	81.69
	VR	Group Health of Spokane	533	163	370	100	37.43	90.58
WI	80	Compcare Health Plan	2,321	919	1,402	325	36.02	93.70
	WH	Family Health Plan	611	193	418	125	34.87	89.96
	WJ	Group Health Coop. of SC WI	875	378	497	153	30.88	80.18
		TOTAL COMMUNITY-RATED PLANS	**405,473**	**156,878**	**248,595**	**56,608**	—	—
		GRAND TOTAL ALL PLANS	**3,669,922**	**1,316,487**	**2,353,435**	**67,416**	----	----

*The 1984 open season when enrollees selected health plans for the 1984 contract year occurred in November and December 1983.

**Net Change equals the difference between enrollments reported on the September 30, 1983 and March 31, 1984 Headcount Reports. This period encompassed the 1984 open season.

***For 1984, the maximum Government contribution biweekly was $23.58 for self only and $52.29 for self and family, but no more than 75% of any individual rate. The Postal Service paid biweekly $29.47 for self only and $65.36 for self and family but no more than 93.75% of any individual rate.

NA: not available.

Data Source: Semiannual Headcount Report

As of Date: September 30, 1984

Financial Statements

The accompanying financial statements are in accordance with generally accepted accounting principles and fairly present the status of the FEHB Fund. It should be noted that the asset entries for special reserves held by experience-rated carriers represent positive reserves only. As explained in Note D, the FEHB Fund has recognized liabilities for carrier losses in excess of the carriers' special reserves. The liability that the Fund will recognize for any individual carrier, however, is limited to the amount of the OPM-held contingency reserve for that carrier.

Highlights

The statements for FY 1984 reflect significant improvement in the financial position of the FEHB Fund. In FY 1984, FEHB revenues exceeded expenses by $997 million. As a result, Government equity grew from $900 million at the close of FY 1983 to $1,897 million at the close of FY 1984—an increase of 111 percent. Experience-rated carriers' special reserves grew from $240 million to $1,143 million.

The dramatic increase in Government equity and experience-rated carriers' special reserves is primarily the result of lower than anticipated medical inflation and enrollee utilization of benefits. Since the FEHB Program, like other private sector health benefits plans, has been encouraging plan participants and health care providers to resist excessive utilization and cost increases through improved education, more cost-efficient alternatives to providing health care, and cost-sharing, the overall trend toward lower utilization was expected. However, the extent of improvement in utilization was greater than anticipated when calendar year 1984 rates were established, resulting in the large increase in the Fund's reserves.

This lowering in overall medical inflation and in the FEHB enrollee utilization of benefits occurred rather rapidly and marked a reversal of the health care trends established during the late 70's and early 80's. The recovery was so dramatic that the Program was able to rebound from a loss of $442 million in FY 1981 to a gain of $997 million in FY 1984. These new trends are not unique to the FEHB program but ones that have been experienced industry-wide. They reflect an increased awareness of rising health care costs and positive responses from hospitals, doctors, and individuals to measures introduced to curb health care inflation.

Total FEHB revenues grew by approximately $788 million in FY 1984, which represents a 13.4 percent increase. Employee and annuitant withholdings increased 12.9 percent from FY 1983 to FY 1984. Regular Government contributions increased by 16.2 percent. The growth in withholdings and contributions was primarily due to 1984 rate increases. The decrease in additional Government contributions reflects the phasing-out of this one year provision as described in Note G. OPM's policy of holding down individual carriers' premium rates by negotiating cost-sharing provisions such as deductibles and coinsurance with FEHB insurance carriers, and decisions by many employees and annuitants to switch to lower-cost plans during recent open seasons, have reduced aggregate premium income over what it would have been under previous enrollment patterns. Without OPM reforms and enrollee migration to lower-cost plans, the percentage increases in FEHB premiums from FY 1983 to FY 1984 would have been higher. The effects of the 1984 open season (held in November 1983) on Government and enrollee contributions are illustrated in Exhibit H5, discussed on page 51. One trend that has emerged over the past couple of open seasons is an enrollee migration to lower cost plans with a higher Government contribution rate. This has resulted in regular Government contributions increasing from 61.3 percent of premium income (excluding additional Government contributions) in FY 1983 to 61.9 percent in FY 1984.

Total FEHB expenses increased by 6.4 percent from FY 1983 to FY 1984. The 14.9 percent increase in semimonthly premium payments to carriers, the lowest increase in the last four years, was primarily attributable to the 1984 rate increases.

This increase in expenses was offset by a 187 percent increase in the gain on net operational activity for experience-rated carriers, which was the primary factor behind the increase in carrier reserves. As noted above, this gain is primarily the result of lower than anticipated medical inflation and enrollee utilization of benefits. The $163 million increase in contingency reserve payments is related to the fact that additional Government contributions collected in Calendar Year 1983 were not paid to carriers until FY 1984. As contemplated by the law that instituted these additional Government contributions (P.L. 97-346—see Note G), the larger contingency reserve payments were another reason for the increase in the level of carrier-held reserves.

It should also be noted that all Federal employees began paying the 1.3 percent Medicare tax on January 1, 1983, as a result of Public Law 97-248. All employees who were employed before or during January 1983 were given "deemed" credit for Medicare entitlement purposes for all their prior Federal service.

Exhibit H8: Federal Employees Health Benefits Fund Financial Highlights, Fiscal Years 1980-1984
($000)

	FY Ending 9/30/80	FY Ending 9/30/81	FY Ending 9/30/82	FY Ending 9/30/83	FY Ending 9/30/84
REVENUES					
Premium Income:					
Employee and Annuitant Withholdings	$ 1,354,808	$ 1,577,321	$1,966,220	$2,207,787	$2,492,456
Government Contributions	2,156,332	2,553,481	2,953,217	3,489,771	4,054,860
Additional Government Contributions	0	0	0	106,658	39,024
Interest Income	62,453	79,770	80,433	84,552	90,758
Subtotal	**3,573,593**	**4,210,572**	**4,999,870**	**5,888,768**	**6,677,098**
EXPENSES					
Premiums Paid to Carriers:					
Semimonthly	3,376,096	3,971,926	4,730,218	5,478,605	6,295,495
From Contingency Reserve	148,494	212,927	254,954	190,580	353,663
Net Operational Activity for Experience-rated Carriers (Gain) Loss	141,589	460,464	(68,690)	(340,261)	(976,154)
Other (Including Administration)	7,466	7,346	6,361	7,816	7,317
Subtotal	**3,673,645**	**4,652,663**	**4,922,843**	**5,336,740**	**5,680,321**
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	**$ (100,052)**	**$ (442,091)**	**$ 77,027**	**$ 552,028**	**$ 996,777**
GOVERNMENT EQUITY					
Beginning Balance	$ 813,409	$ 713,357	$ 271,266	$ 348,293	$ 900,321
Excess (Deficit) of Revenues Over Expenses	(100,052)	(442,091)	77,027	552,028	996,777
Ending Balance	**$ 713,357**	**$ 271,266**	**$ 348,293**	**$ 900,321**	**$1,897,098**
Special Reserves Held by Experience-rated Carriers	$ 218,591	$ 13,670	$ 52,550	$ 240,788	$1,142,943

Financial Statement H-I

Statement of Financial Position

September 30, 1984 and 1983

Federal Employees Health Benefits Program

	September 30, 1984 ($000)	September 30, 1983 ($000)
Assets		
Cash balance in fund	$ 5,222	$ 14,403
U.S. securities (par value)	912,970	854,095
Unamortized premium and discount (net)	(20,547)	(6,221)
Total U.S. securities (book value) (Notes B(1) and F)	892,423	847,874
Accounts Receivable:		
Accrued interest	4,664	14,303
Accrued employee withholdings	58,895	36,585
Accrued annuitant withholdings	100,498	84,831
Accrued agency contributions	133,117	85,583
Government contributions for annuitants	119,786	101,866
Advances for administrative expense	2,551	3,041
Unadjusted audit findings (Note H)	18,659	19,328
Total Accounts Receivable	438,170	345,537
Special reserves held by experience-rated carriers (Note B(3d))	1,142,944	240,788
Total current assets	2,478,759	1,448,602
Equipment (less accumulated depreciation of $84,490 in 1984 and $49,942 in 1983)	272	168
Total Assets	$2,479,031	$1,448,770
Liabilities		
Accounts payable:		
Insurance premiums	$ 560,879	$ 452,775
Accrued annual leave for trust fund employees	321	315
Accrued claims reserve deficits for experience-rated carriers (Note D)	20,733	95,359
Total Liabilities	581,933	548,449
Government Equity		
Contingency reserves (Note B(3b))	1,853,930	863,785
Administrative reserve (Note B(3a))	43,168	36,536
Total Government Equity	1,897,098	900,321
Total Liabilities and Government Equity	$2,479,031	$1,448,770

The accompanying notes are an integral part of the financial statements.

Financial Statement H-II

Statement of Revenues, Expenses, and Government Equity

Federal Employees Health Benefits Program

	For the Fiscal Year Ended September 30, 1984 ($000)	September 30, 1983 ($000)
Revenues		
Premium income (Note C):		
Employee withholdings	$1,371,688	$1,273,258
Annuitant withholdings	1,120,767	934,529
Agency contributions	2,669,547	2,306,425
Government contributions for annuitants	1,385,313	1,183,346
Interest earned on fund in Treasury (net of amortization, gains and losses)	90,758	84,552
Additional Government contributions (Note G):		
For employees	26,419	70,398
For annuitants	12,606	36,260
Total Revenues	6,677,098	5,888,768
Expenses		
Insurance premiums	6,295,495	5,478,605
Payments from contingency reserves to carriers	353,663	190,580
Net operations activity for experience-rated carriers—(gain) (Notes B and D)	(976,154)	(340,261)
Administrative expense	7,317	7,816
Total Expenses	5,680,321	5,336,740
Excess of Revenues Over Expenses	996,777	552,028
Government equity, beginning	900,321	348,293
Government Equity, Ending	$1,897,098	$ 900,321

The accompanying notes are an integral part of the financial statements.

Financial Statement H-III

Statement of Changes in Financial Position

Federal Employees Health Benefits Program

	For the Fiscal Year Ended September 30, 1984 ($000)	September 30, 1983 ($000)
Sources of Cash:		
Revenue	$ 6,677,098	$ 5,888,768
Redemption of investments	8,132,004	6,460,675
Less noncash revenue:		
Amortized discount and premium net	(418)	(1,430)
Add decrease; deduct (increase) in		
Accounts receivable:		
Accrued interest	9,639	(6,345)
Accrued employee withholdings	(22,310)	14,754
Accrued annuitant withholdings	(15,667)	(14,685)
Accrued agency contributions	(47,534)	(2,938)
Government contributions	(17,920)	(15,757)
Accrued discount on Treasury bills	(12,080)	(6,569)
Total Cash Received	14,702,812	12,316,473
Application of Cash:		
Expenses	5,680,321	5,336,740
Purchase of investments	8,164,055	6,641,807
Purchase of equipment	139	156
Less noncash expenses:		
Depreciation expense	(35)	(14)
Add decrease; deduct (increase) in		
Accounts payable:		
Insurance premiums	(108,104)	(7,132)
Accrued annual leave for trust fund employees	(6)	28
Accrued claims reserve deficits for experience-rated carriers	74,626	132,103
Add increase; deduct (decrease) in:		
Advances for administrative expense	(490)	(141)
Unadjusted audit findings	(669)	19,328
Special reserves held by experience-rated carriers	902,156	188,238
Total Cash Disbursed	14,711,993	12,311,113
Increase (Decrease) in Cash	$ (9,181)	$ 5,360
Schedule of Change in Cash:		
Ending cash balance	$ 5,222	$ 14,403
Beginning cash balance	14,403	9,043
Increase (Decrease) in Cash	$ (9,181)	$ 5,360

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements September 30, 1984 and 1983

A. Description of the Program

The following brief description of the Federal Employees Health Benefits Program is provided only for purposes of general information.

1. General

The Federal Employees Health Benefit Act of 1959 (P.L. 86-382, September 28, 1959) established the Federal Employees Health Benefits (FEHB) Program. The Act made basic hospital and major medical health protection available to active Federal employees and their families as of July 1, 1960. Annuitants who retired after July 1, 1960, and their families were also covered. Enrollment is voluntary and can be terminated by the enrollee at any time.

The Act prescribes, in general, the types of benefits to be provided under various plans and authorizes OPM to contract with qualified carriers to provide the benefits without regard to competitive bidding, subject to any limitations or exclusions considered necessary or desirable. It also authorizes OPM to prescribe the manner and conditions under which employees will be eligible to enroll in plans under the Program.

2. Basic Types of Health Insurance

The FEHB Program differs from most private industry programs in that the Federal enrollee has a broad choice among carriers and levels of benefits and premiums. The Program offers enrollees two basic types of health insurance:

- **Fee-for-Service Plans**—These are Government-wide plans and plans sponsored by unions and employee organizations. Enrollees may choose their own physicians, hospitals, and other health care providers, and the plan makes benefit payments either to the enrollee or to the provider.
  - —Government-wide plans are open to all enrollees.
  - —Employee organization plans are open to members of the sponsoring union or organization; nonmembers can participate in some of these plans if they pay an associate membership fee.
- **Prepaid Plans**—These are comprehensive medical plans/health maintenance organizations that provide or arrange for prepaid health care by designated plan physicians. A prepaid plan is open to all Federal employees and annuitants who live within the plan's geographic area.
  - —Individual practice plans provide care through participating plan physicians in their own offices and arrange for hospital and other care as necessary.
  - —Group practice plans provide care through the group's own facilities and staff or through special contractual arrangements.

All plans offer "self only" and "self and family" coverage. Some of the plans offer both high and standard (low) benefit options. Annuitants who were covered as employees may continue this coverage into retirement if they were enrolled for the five years preceding retirement or continuously from their "first opportunity."

For rate-setting and accounting purposes, plans are also categorized as either experience-rated or community-rated. Both Government-wide plans, all employee organization plans, and a few comprehensive plans are experience-rated. Each experience-rated carrier maintains separate accounting records for the Federal program. Rates for Federal enrollees are adjusted on the basis of the actual operating experience of the plan.

Any surplus created by a difference between income and authorized charges in each plan or option is used either to increase benefits or to postpone rate increases. Rate increases may be necessary to pay for benefit increases, increases in medical costs and utilization or to recover a previous year's deficit. As a result, with regard to experience-rated plans, the Federal group supports itself financially and, within the Federal group, each plan stands on its own.

Most of the comprehensive plans are community-rated. Community rating means that the Federal group is charged the same premium rates charged other groups for the same level of benefits in that area and treatment costs of Federal enrollees are not separated from those for the rest of the covered population.

3. Open Season and Enrollment Procedures

Open seasons, when enrollees may elect to change their plan enrollments, are scheduled annually, usually from the second week in November through the first week in December. However, the open season held during Fiscal Year 1985 was scheduled from the first week in November through the second week in December. Plan brochures describing benefits provided, limitations and exclusions, changes effective in the new contract year, and premium rates and deductibles are distributed to all Government agencies through the Health Benefits Officer network. Employees may review all plan offerings and make an informed choice.

B. Summary of Accounting Policies

1. Valuation of Investments

All receipts of the Federal Employees Health Benefits Fund are invested in U.S. Government securities by OPM. The investments represent 36 percent of the Fund's total assets. The remainder of the total assets represent receivables and carrier-held assets (which are also frequently invested in U.S. Government securities). The Fund's investments are in Treasury bills, notes, and bonds with maturity dates based upon premium payment dates or expected cash flow needs. The fair value of these securities (see Note F) were determined by over-the-counter quotations for September 28, 1984, reported in the Wall Street Journal.

2. Depreciation

Capitalized property includes all furniture and equipment having a unit acquisition cost of $300 or more and a durable nature with an expected service life of not less than two years. Depreciation is based on the straight-line method without regard to salvage value.

It is assumed that all equipment has a ten-year life and will be depreciated ten percent a year. All new equipment is assumed to have been purchased at the midpoint of the year and will be depreciated for six months or five percent of cost for the first year.

3. Reserves

The total subscription charge consists of the rate approved by OPM for payment to the plan for each employee or annuitant enrolled, plus four percent, of which one part is for deposit into an administrative reserve and three parts are for deposit into a contingency reserve for the plan. The preferred balance in the contingency reserve is equal to one month's subscription charges. The preferred balance of the reserves held by experience-rated carriers is equal to five months' subscription charges, three of which are obligated to pay claims (accrued claims reserve). The remaining two months' unobligated reserves held by experience-rated carriers are called "special reserves."

a. OPM Administrative Reserve—As provided by FEHB law, an amount not to exceed one percent of premium payments is set aside to pay OPM's cost for administration of the Program. As of December 31 of each year, the excess funds not needed for administrative expenses are prorated and credited to each carrier's contingency reserve. The excess funds transferred amounted to $49,007,000 and $57,214,000 as of December 31, 1983, and 1984, respectively.

b. OPM Contingency Reserves—The FEHB law provides that an amount not to exceed three percent of premium payments be set aside in a contingency reserve to be held by OPM. The reserves are maintained separately for each carrier and are increased by: (1) three percent of premiums on a continuous basis; (2) interest earned on monies held in the FEHB Fund; and (3) that portion of the one percent administrative reserve not used each year by OPM in its administration of the Program.

c. Experience-Rated Carriers' Accrued Claims Reserves—Experience-rated health insurance carriers are responsible for separately accounting for all income and expenses applicable to their Federal plans. In accordance with accrual accounting, estimates are recorded for the amount of incurred but unpaid claims outstanding. These are claims for health care covered by the plan that enrollees received before the end of the applicable period but which have not yet been filed by the doctor, hospital, or enrollee. Interest earned on these funds is credited to the plan's special reserve.

d. Experience-Rated Carriers' Special Reserves—Each experience-rated carrier holds a special reserve that amounts to the carrier's cumulative excess of premiums due and received from OPM (plus interest) over the sum of claim charges and expense and risk charges since the carrier entered the Program. These reserves represent FEHB Program assets which are held and invested by each experience-rated carrier. The net operational activity for experience-rated carriers and changes in accrued claims reserve deficits (see Note D) for experience-rated carriers increases or decreases the levels of special reserves. Net operational activity for experience-rated carriers is the net result of carrier income, claims expenses, administrative expenses, and investment income earned on FEHB Program funds held by the carriers.

C. Funding Policy

Premium income to the Fund consists of employee/annuitant withholdings and agency/Government contributions. New premium rates for the 180-plus plans in the Federal Program are published annually and become effective with the applicable employee's or annuitant's first pay period beginning on or after January 1.

The Government pays 60 percent of the average high option self only and self and family premiums of the "Big Six" plans (the two Government-wide plans, the two employee organization plans with the largest enrollments, and the two comprehensive plans with the largest enrollments), but not more than 75 percent of the premium for any one plan. The Postal Service pays 75 percent of this average premium rate, limited to a maximum of 93.75 percent for any one plan. For 1984, the maximum biweekly Government rate for nonpostal enrollees was $23.58 for self only and $52.29 for self and family enrollments. For 1983, the maximum biweekly Government rate for nonpostal enrollees was $21.27 for self only and $47.54 for self and family enrollments. The remainder of the cost is paid by the employee or annuitant.

The agency employing the enrollee pays the Government's portion of the health premium. The Government's portion of an annuitant's premium is paid from a separate appropriation account held by OPM.

Federal employees are responsible for payment of the employee share of premiums for health benefits coverage that continues while an employee is in nonpay status or when the employee's salary is insufficient to cover the required withholding. Agencies also are required to pay the corresponding Government share.

D. Accrued Claims Reserve Deficits for Experience-Rated Carriers

In both 1984 and 1983 several experience-rated carriers had cumulative losses to the Program. This loss to the Program for each of these carriers is recognized as an expense and accounts payable only to the extent of the balance held in OPM's contingency reserves for the affected plan.

In 1984, accounts payable for the FEHB Fund included $20,733,223 in losses in excess of the special reserves held by the carriers. In addition, $11,674,059 in carrier losses were not recognized since they were in excess of the OPM-held contingency reserve balances.

In 1983, accounts payable for the FEHB Fund included $95,358,893 in losses in excess of the special reserves held by the carriers. In addition, $34,789,107 in carrier losses were not recognized since they were in excess of the OPM-held contingency reserve balances.

E. FEHB Plans

The following tabulation illustrates the variety and number of plans in the FEHB Program:

	1984	1983
Experience-Rated Plans:		
Government-wide	2	2
Employee Organization	18	18
Comprehensive	18	16
Community-Rated Comprehensive Plans	143	112
Total	181	148

New plans are added each calendar year and, occasionally, old plans are discontinued. Effective contract year 1984, 33 new plans were added. A discontinued plan's accounts payable is held open for one year after termination for Federal agencies to make final premium adjustments and to remit premium income to the plan. Any accumulated premium income remaining in the Fund at the end of the one year period is forwarded to the plan. If a receivership has been appointed or an underwriter is paying claims on behalf of the plan, premium income is paid to those entities. If no plan exists after the one-year period, the monies are transferred to the contingency reserve of the plan. The remaining contingency reserve of a discontinued plan is disposed of as follows:

- transferred to the contingency reserves of all of the FEHB plans continuing in the Program for the contract year following that in which termination occurs (5 U.S.C. 8909(e)); or
- in the case of reorganization or merger, transferred to the reserve of the reorganized or merged plan. If more than one plan survives, the reserves are divided among the surviving plans in proportion to the employees and annuitants continuing to subscribe to the surviving plans (5 CFR 890.504).

F. Investments

The Program's investments are only in U.S. Government securities. The following table presents the book value and fair value of those investments:

	September 30, 1984	
	Book Value	Fair Value
Investments:		
U.S. Treasury bills	$707,784,534	$701,003,474
U.S. Treasury notes	75,898,677	75,075,646
U.S. Treasury bonds	108,739,714	75,190,947
Total investments	$892,422,925	$851,270,067

	September 30, 1983	
	Book Value	Fair Value
Investments:		
U.S. Treasury bills	$583,848,031	$576,545,426
U.S. Treasury notes	155,248,231	155,909,629
U.S. Treasury bonds	108,777,412	81,504,314
Total investments	$847,873,674	$813,959,369

G. Program Amendments

Under the health benefits law, premiums of the two largest plans in each of the three categories of the plans in the Program (Government-wide, employee organization and comprehensive), commonly referred to as the "Big Six", are used in the computation of the Government contribution. As a result of the May 1982 open season, a higher cost employee organization plan (American Postal Workers Union) was replaced by a lower cost plan (Mail Handlers). This change in the "Big Six" resulted in the Government paying a smaller share of the total carrier premiums. To stabilize the financial condition of the Program, Congress passed P.L. 97-346 in FY 1983, which rechanneled savings resulting from the reduced Government contributions into the contingency reserves held by OPM for each plan.

In accordance with this law, OPM computed the average Government contribution to the FEHB Program for calendar year 1983 and what the average contribution would have been had the "Big Six" not changed. The difference between these computations represented the Additional Government Contribution which was paid for each enrollee covered under the FEHB Program for each pay period during calendar year 1983. Thus, the Additional Government Contribution was in effect for one year only. The rate per enrollee (regardless of enrollment type) for agencies with a biweekly payroll was $1.48 per pay period. Additional Government Contributions collected from agencies were included in the calendar-year-end distributions made to each carrier's contingency reserve account. Since only three months of calendar year 1983 were included in FY 84, the impact of this amendment was substantially less in FY 84 than in FY 83.

H. Unadjusted Audit Findings

In accordance with Office of Management and Budget Circular A-50 (revised September 29, 1982), OPM has recorded as a receivable the amount of unadjusted audit findings. Unadjusted audit findings represent disallowed contract charges made by insurance carriers to the FEHB Program and not adjusted by credits back to OPM or to the experience-rated carriers' special reserves. Most of these findings are discovered as a result of audits conducted by OPM. The receivable includes amounts presently under litigation between the carriers and OPM.

I. Subsequent Event

The Civil Service Retirement Spouse Equity Act of 1984, Public Law 98-615, enacted November 8, 1984, provides health benefits coverage for certain former spouses. The former spouse may pay both the employee and agency shares of the FEHB premiums. If the former spouse is not receiving annuity payments, premiums must be paid to the agency for which the employee worked at the time of the divorce.

A former spouse may enroll in a FEHB plan if he or she:

1. does not remarry before age 55, and
2. was enrolled in an FEHB plan as a family member at any time during the 18 months preceding the date of the dissolution of the marriage; and
3. is divorced from the employee on or after May 7, 1985, and provides documentation of future entitlement to any of the following benefits:
   a. a portion of the employee's annuity based on a qualifying court order under 5 U.S.C. 8345(j);
   b. survivor annuity benefits based on a qualifying court order under U.S.C. 8341(h);
   c. a survivor annuity elected by the employee under 5 U.S.C. 8339 (j) (3) (or similar benefits under another retirement system for Government employees).

or

4. was married to an employee who retires before May 7, 1985, and provides documentation from OPM stating that the former spouse has entitlement to a future survivor annuity.

Former spouses of employees who separate from Federal service before becoming eligible for an immediate annuity are eligible to enroll only if the former spouse's marriage to the employee dissolved before the employee left Federal Service.

The full impact of this law on the FEHB will not be known for a number of years; however, we do not expect it to significantly affect the Fund's financial operations.

Retired Federal Employees Health Benefits Program

The Retired Federal Employees Health Benefits (RFEHB) Program is a closed program with a steadily declining population, as illustrated in Exhibit RH1. The reason for the decline is twofold:

- The RFEHB Program was established for annuitants who retired before July 1, 1960. This population is now quite elderly and has a high mortality rate.
- Annuitants covered under the RFEHB Program may elect coverage under the FEHB Program at any time, where benefit and Government contribution levels are higher.

Given the small size of the RFEHB Program, its statistical information and consolidated financial statements are not presented separately as in other sections of this report.

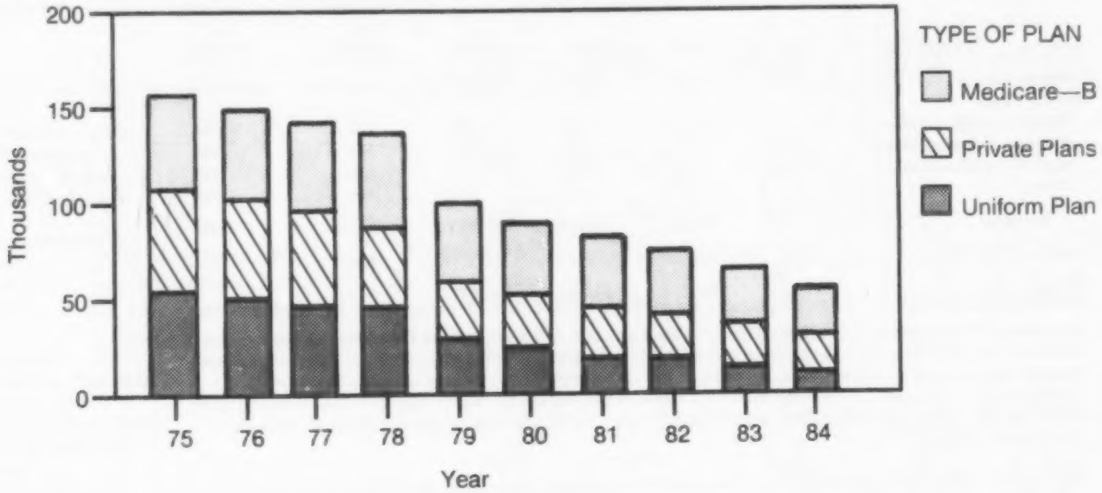
Highlights

Both the statistical tables and the financial statements document the decline in membership of the RFEHB Program. Participation in the Uniform Plan—one of two types of coverage offered under the Program (see Note A(2))—decreased by 19.1 percent from FY 1983 to FY 1984, as shown in Exhibit RH2, while aggregate premium income decreased by only 3.8 percent (see Exhibit RH3). This disparity between enrollment and premium income patterns for the Uniform Plan is explained by the 13.1 percent increase in enrollee premiums and the 19.7 percent increase in the Government contribution for 1984, discussed in Note C.

Much larger Uniform Plan premium increases were required in 1982 and 1983. The concentration of an aged population with high health insurance utilization rates in a single plan, coupled with a Government contribution tied to modest increases in the Medicare-Part B premium, led to increases of 87 and 82 percent, respectively. OPM has adopted a policy of encouraging enrollees to exercise their option to transfer to the FEHB Program, where the concentration of aged enrollees is not so great.

A steady decline in Government equity in the RFEHB Fund, evident since the early 1970's, has been reversed by these premium increases. The Fund increased in FY 1983 from $.7 million to $1.1 million, and to $4.0 million in FY 1984. For FY 1984, the Uniform Plan insurance carrier recorded a net gain on operational activity of $2.8 million and the Fund also generated $52 thousand in interest income. No contingency reserve payments were made to the carrier in FY 1984, reflecting the carrier's positive financial condition. In recognition of this positive reserve position and the fact that the Government contribution rate increased 6.2 percent (i.e., $29.20 to $31.00 for self and family) effective January 1, 1985, the withholding rates for the Uniform Plan were decreased by 26.1 percent (i.e., $61.46 to $45.40 for self and family) effective January 1, 1985.

Exhibit RH1: Number of RFEHB Program Enrollees by Plan Type by Year, 1975-1984



Data Sources: annuity roll and other retirement systems' files.
As of Date: June 30.

Exhibit RH2: RFEHB Enrollment by Type of Plan and Coverage, June 30, 1984, and Claims Paid, Calendar Year 1984

Type of Plan	Number Covered[1]			Number of Claims	Amount of Benefits
	Total	Self	Family		
Uniform Plan	12,884	11,279	1,605	11,041[3]	$5,261,941[3]
Private Plans					
Blue Cross-Blue Shield	14,331	12,149	2,182	NA	NA
Employee organizations	3,795	3,227	568	NA	NA
Insurance companies	1,328	1,115	213	NA	NA
Other	1,487	1,117	370	NA	NA
Subtotal	**20,941**	**17,608**	**3,333**	NA	NA
Medicare-Part B[2]	25,049	22,470	2,579	NA	NA
TOTAL	**58,874**	**51,357**	**7,517**	—	—

[1] Includes persons covered by the following retirement systems: U.S. Civil Service Retirement System; Office of Workers' Compensation, U.S. Department of Labor; Panama Canal Commission; Board of Governors of the Federal Reserve; Administrative Office of the U.S. Court; Retired Lighthousekeepers, U.S. Department of Transportation; Disability Compensation of the District of Columbia; U.S. Naval Academy; D.C. Retired Police and Firemens' Fund; D.C. Retired Teachers' Fund; Foreign Service Retirement and Disability Fund, U.S. Department of State.

[2] Includes annuitants who are receiving a Government contribution toward the cost of Part B (Medical Insurance) of Medicare; P.L. 91-418, effective January 1, 1971, provided for payment of this contribution to eligible annuitants not receiving a contribution under the Retired Federal Employees Health Benefits Program.

[3] These data differ from those reported prior to 1983 in that they include unclassified items, i.e., claims that are miscoded or otherwise not identifiable.

NA: Not available.

Data Source: Aetna Life Insurance Co. and BRI 41-101 submitted by the plans.

As of Date: June 30, 1984.

Exhibit RH3: Retired Federal Employees Health Benefits Program Financial Highlights, Fiscal Years 1980-1984

($000)

	FY Ending 9/30/80	FY Ending 9/30/81	FY Ending 9/30/82	FY Ending 9/30/83	FY Ending 9/30/84
REVENUES					
Uniform Plan Premium Income:					
Annuitant Withholdings	$ 2,644	$ 2,358	$ 3,412	$ 5,325	$ 5,271
Government Contributions	2,506	2,910	2,943	2,720	2,471
Government Contributions for Private Plan	7,045	8,663	8,823	8,581	8,810
Government Contributions for Administration	379	113	132	206	166
Interest Income	10	31	(225)	57	52
Subtotal	**12,584**	**14,075**	**15,085**	**16,889**	**16,770**
EXPENSES					
Insurance Premiums	5,150	5,268	6,355	8,045	7,742
Contingency Reserve Payments	1,035	987	249	0	0
Net Operational Activity for Insurance Carrier (Gain) Loss	(90)	818	0	(369)	(2,836)
Government Contribution Paid to Annuitants	7,045	8,663	8,823	8,581	8,810
Administrative Expense	379	113	132	206	166
Subtotal	**13,519**	**15,849**	**15,559**	**16,463**	**13,882**
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	**$ (935)**	**$ (1,774)**	**$ (474)**	**$ 426**	**$ 2,888**
GOVERNMENT EQUITY					
Beginning Balance	$ 3,882	$ 2,947	$ 1,173	$ 699	$ 1,125
Excess (Deficit) of Revenues Over Expenses	(935)	(1,774)	(474)	426	2,888
Ending Balance	**$ 2,947**	**$ 1,173**	**$ 699**	**$ 1,125**	**$ 4,013**
Special Reserve Held by Experience-rated Carrier	**$ 1,068**	**$ 250**	**$ 250**	**$ 268**	**$ 3,104**

Financial Statement RH-I

Statement of Financial Position
September 30, 1984 and 1983
Retired Federal Employees Health Benefits Program

	For the Fiscal Year Ended September 30, 1984 ($000)	September 30, 1983 ($000)
Assets		
Cash balance in fund	$ 41	$ 174
U.S. securities (par value)	794	544
Unamortized premium and discount (net)	(5)	(4)
Total U.S. securities (book value) (Notes B(1) and D)	789	540
Accounts Receivable:		
Accrued annuitant withholdings	31	12
Government contributions	124	224
Accrued interest	17	17
Overpayments to annuitants (Note B(2))	4	6
Advances for administrative expense	6	28
Total accounts receivable	182	287
Uniform Plan special reserve (Note B(3))	3,104	268
Total Assets	$4,116	$1,269
Liabilities		
Accounts Payable:		
Insurance premiums	$ 92	$ 77
Government contributions payable to annuitants	3	5
Accrued administrative expense	0	51
Accrued annual leave for trust fund employees	8	11
Total Liabilities	103	144
Government Equity		
Contingency reserve	4,013	1,125
Total Liabilities and Government Equity	$4,116	$1,269

The accompanying notes are an integral part of the financial statements.

Financial Statement RH-II

Statement of Revenues, Expenses, and Government Equity

Retired Federal Employees Health Benefits Program

	For the Fiscal Year Ended September 30, 1984 ($000)	September 30, 1983 ($000)
Revenues		
Uniform Plan premium income (Note C(2)):		
Annuitant withholdings	$ 5,271	$ 5,325
Government contributions	2,471	2,720
Government contributions to private plans (Note C(1))	8,810	8,581
Government contributions for administration	166	206
Interest earned on fund in Treasury (net of amortization and losses)	52	57
Total Revenues	16,770	16,889
Expenses		
Insurance premiums	7,742	8,045
Net operational activity for insurance carrier (Note B(3))	(2,836)	(369)
Government contributions paid to annuitants	8,810	8,581
Administrative expense	166	206
Total Expenses	13,882	16,463
Excess of Revenues Over Expenses	2,888	426
Government equity, beginning	1,125	699
Government Equity, Ending	$ 4,013	$ 1,125

The accompanying notes are an integral part of the financial statements.

Financial Statement RH-III

Statement of Changes in Financial Position

Retired Federal Employees Health Benefits Program

	For the Fiscal Year Ended	
	September 30, 1984 ($000)	September 30, 1983 ($000)
Sources of Cash:		
Revenue	$16,770	$16,889
Redemption of investments	996	1,789
Add decreases, deduct (increases) in:		
Accounts receivable:		
Accrued annuitant withholdings	(19)	(10)
Government contributions	100	(92)
Less: decrease in deferred income for Government contributions	0	(260)
Total Cash Received	17,847	18,316
Application of Cash:		
Expenses	13,882	16,463
Purchase of investments	1,244	1,789
Add decreases, deduct (increases) in:		
Accounts payable:		
Insurance premiums	(15)	(5)
Accrued special reserve payment	0	351
Government contributions payable to annuitants	2	(2)
Accrued annual leave for trust fund employees	4	(3)
Accrued administrative expense	51	(51)
Add increases, deduct (decreases) in:		
Advances for administration expense	(22)	(327)
Uniform Plan special reserve	2,836	18
Overpayments to annuitants	(2)	0
Total Cash Disbursed	17,980	18,233
Increase (Decrease) in Cash	$ (133)	$ 83
Schedule of Change in Cash:		
Ending cash balance	$ 41	$ 174
Beginning cash balance	174	91
Increase (Decrease) in Cash	$ (133)	$ 83

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements September 30, 1984 and 1983

A. Description of the Program

The following brief description of the Retired Federal Employees Health Benefits Program is provided only for purposes of general information.

1. General

The Retired Federal Employees Health Benefits Program was established by Public Law 86-724, enacted September 8, 1960, and became effective on July 1, 1961. This program was designed to provide health insurance to those employees and survivors who were retired on the effective date of the Federal Employees Health Benefits Act and were thus ineligible to participate in the FEHB Program. Initially, 236,000 annuitants elected to participate; as of September 30, 1984, there were 57,000 enrollees.

2. Basic Categories of Health Insurance

The RFEHB Program includes a Uniform Plan, currently administered through the AETNA Life Insurance Company, and a private plan provision. The Uniform Plan provides basic hospital and major medical protection to enrollees. The Act provides that there shall be withheld from the annuity or compensation of each retired employee or survivor enrolled in the Uniform Plan so much as is necessary, after deducting the contribution of the Government, to pay the total charges for his or her enrollment.

Retired employees or survivors who choose to obtain a health benefits plan other than the Uniform Plan or to retain an existing plan directly with a carrier are paid a Government contribution toward the cost of their private plan (this Government contributiuon is discussed further in Note C). Part B of Medicare qualifies as a private plan.

B. Summary of Accounting Policies

1. Valuation of Investments

The Fund's investments consist solely of United States Government securities. The securities are reported at par value net of unamortized premium and discount. The fair value of the securities (see Note D) was determined by over-the-counter quotations for Friday, September 28, 1984, as reported in the Wall Street Journal.

2. Valuation of Overpayments to Annuitants

Due to the small amount of overpayments to annuitants or survivors (accounts receivable), the direct write-off method is used to record uncollectible accounts.

3. Reserves

a. Uniform Plan Accrued Claims Reserve—The Uniform Plan carrier is responsible for separately accounting for all income and expense applicable to this plan. In accordance with accrual accounting, estimates are recorded for the amount of incurred but unpaid claims outstanding. These are claims for health care covered by the Uniform Plan that the enrollees received before the end of the applicable period but which have not yet been paid by the carrier. The bulk of these are cases where the claim has not yet been filed by the doctor, hospital or enrollee. RFEHB Program funds held in these reserves earn interest which is credited to the carrier's special reserve.

b. Uniform Plan Special Reserve—AETNA Life Insurance Company holds a special reserve which amounts to the carrier's cumulative excess of premiums due and received from OPM (plus interest) over the sum of claim charges and expense and risk charges since the inception of the Program. This reserve represents RFEHB Program assets which are held and invested by the carrier. By contract, the normal balance of this special reserve should be within the $250,000-$500,000 range. Since the special reserve held by AETNA exceeded the acceptable limits prescribed by the contract, AETNA returned $3.5 million in March 1985.

C. Funding Policy

1. Private Plans

The RFEHB Program provides a Government contribution for an individual enrolled in any qualified private health insurance plan or Part B of Medicare. P.L. 96-156, effective January 1, 1980, set the amount of this Government contribution to be equal to the monthly premium for Medicare, Part B. Therefore, the Government contribution is increased whenever the Medicare premium is increased. In years prior to 1983, the Medicare premium was increased July 1 of each year. However, 1983 amendments to the Social Security law delayed the July 1983 Medicare premium adjustment until January 1984 and placed all future adjustments on a calendar year basis. Therefore, the Government contribution rate effective July 1, 1982, remained in effect throughout Fiscal Year 1983 and was increased effective January 1, 1984.

	Effective 1/1/84	Effective 7/1/82
Self Only	$14.60	$12.20
Self and Family	$29.20	$24.40

OPM requests an annual appropriation to cover the amount of Government contributions (Uniform Plan and private plans) needed by the Fund. This appropriation includes up to two percent of these contributions for administrative expenses.

2. Uniform Plan

Retirement systems withheld the following monthly premiums from the annuities or compensation of retired employees or survivors who elected the Uniform Plan.

	Effective 1/01/84	Effective 1/01/83
Self Only	$30.73	$27.17
Self and Family	$61.46	$54.34

The annuitant's share and the survivor's share of the subscription charges withheld from annuities along with the Government contribution (equal to the Government contribution for private plans) are paid to the health benefits carrier monthly.

The amount of withholdings for the Uniform Plan is normally adjusted January 1 of each year.

D. Investments

The Program's investments are only in U.S. Government securities. The following table presents the book value and fair value of the Fund's securities.

	September 30, 1984	
	Book Value	Fair Value
U.S. Treasury bonds	$539,840	$403,920
U.S. Treasury bills	248,774	248,710
Total	$788,614	$652,630

	September 30, 1983	
	Book Value	Fair Value
U.S. Treasury bonds	$539,563	$420,560

Federal Employees' Group Life Insurance Program

Federal Employees' Group Life Insurance Program

Program Highlights

Valuation of Revised FEGLI Program Leads to Lower Rates

In February 1984, the Compensation Group of OPM issued a valuation of the FEGLI Program. This was the first valuation performed since institution of the new optional coverages in 1981. Based on the analysis described in the valuation report, OPM determined that premiums should be reduced for practically all participants.

For Basic insurance and Option A, or Standard coverage, the major reasons for the premium reductions were improved mortality experience, i.e., lower death rates, and higher investment yields earned by the FEGLI Funds. Premiums for the new Additional and Family options were reduced for the same reasons and, in addition, as a result of the lessening impact of adverse selection on these improved insurance coverages. Adverse selection typically occurs in a new insurance offering of this sort when persons at high risk of collecting on life insurance, because of their own or family members' ill health, are more likely than other people to purchase insurance when it is made available. During the initial year of coverage some of these deaths will occur, causing a temporary rise in claims filed.

The reduction in FEGLI premiums was made effective for employees with the first full pay period after May 1, 1984, and for retirees with their June 1, 1984, annuity checks. The reduction was accomplished even though OPM also decided to retire FEGLI's unfunded liability. A portion of the revised premium is set aside for amortizing this liability and paying it off over time.

FEGLI Enrollment and Insurance in Force Increase

Changes in estimated FEGLI enrollment, shown in Exhibits L1 and L3, tend to parallel changes in the underlying populations. Employee enrollments increased by 1.2 percent during FY 1984, somewhat less than the 6.2 percent net increase in permanent employees recorded in OPM's Central Personnel Data File (CPDF) for that period. The previous year, employment was down by .7 percent and FEGLI enrollment for employees declined by .8 percent. Annuitant enrollments during FY 1984 increased by 2.9 percent, close to the 2.3 percent increase in annuitants on the roll. During FY 1983, annuitant enrollments increased by 2.3 percent; the number of annuitants on the roll also increased by 2.3 percent.

The amount of estimated Basic insurance in force reflects employee pay levels as well as numbers enrolled. In accord with employees' four percent pay raise of January 1, 1984, the estimated dollars of Basic insurance in force increased 4.4 percent relative to FY 1983, as shown in Exhibits L2 and L4. The comparable increase the previous year, when Federal pay increased four percent and Federal employment declined .7 percent, was 4.1 percent.

Payment of FY 1984 Claims Delayed Due to New Reporting Requirement

Numbers and amounts of claims paid during Fiscal Year 1984, shown in Exhibits L2 and L4, appear to be substantially lower than in FY 1983. This "decline" is the result of a temporary delay in claims payment due to a new report required of FEGLI beneficiaries. Under its contract with OPM, Metropolitan Life Insurance Company is required to pay interest on FEGLI claims for the period between the date of death and the date the claim check is written, a period of approximately three months. Under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), a beneficiary is required to report certain information concerning this interest payment to Metropolitan before the claim can be paid. This requirement, effective January 1, 1984, created a significant delay in the processing of FEGLI claims. As Metropolitan eliminates this backlog, a substantial increase in number and amount of claims paid for FY 1985 can be expected, followed by a relatively lower increase for FY 1986.

Legislative Changes

Under P.L. 98-353, effective July 10, 1984, Federal judges are permitted to assign ownership of their FEGLI policies to other individuals. OPM will issue regulations to describe the judges' and assignees' rights and responsibilities with respect to assignments.

Exhibit L1: Estimated FEGLI Enrollment and Insurance in Force, Fiscal Years 1982-1984

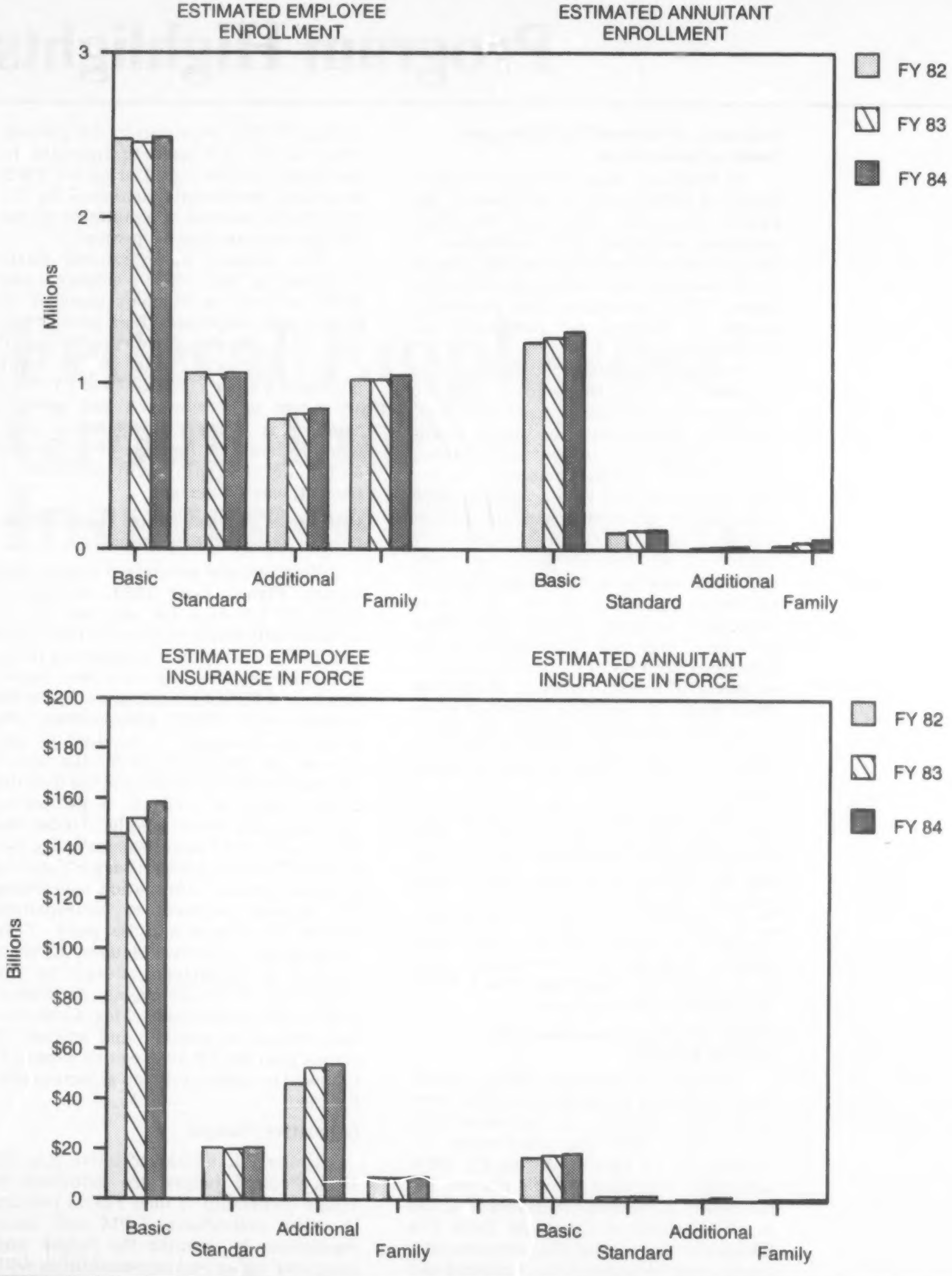
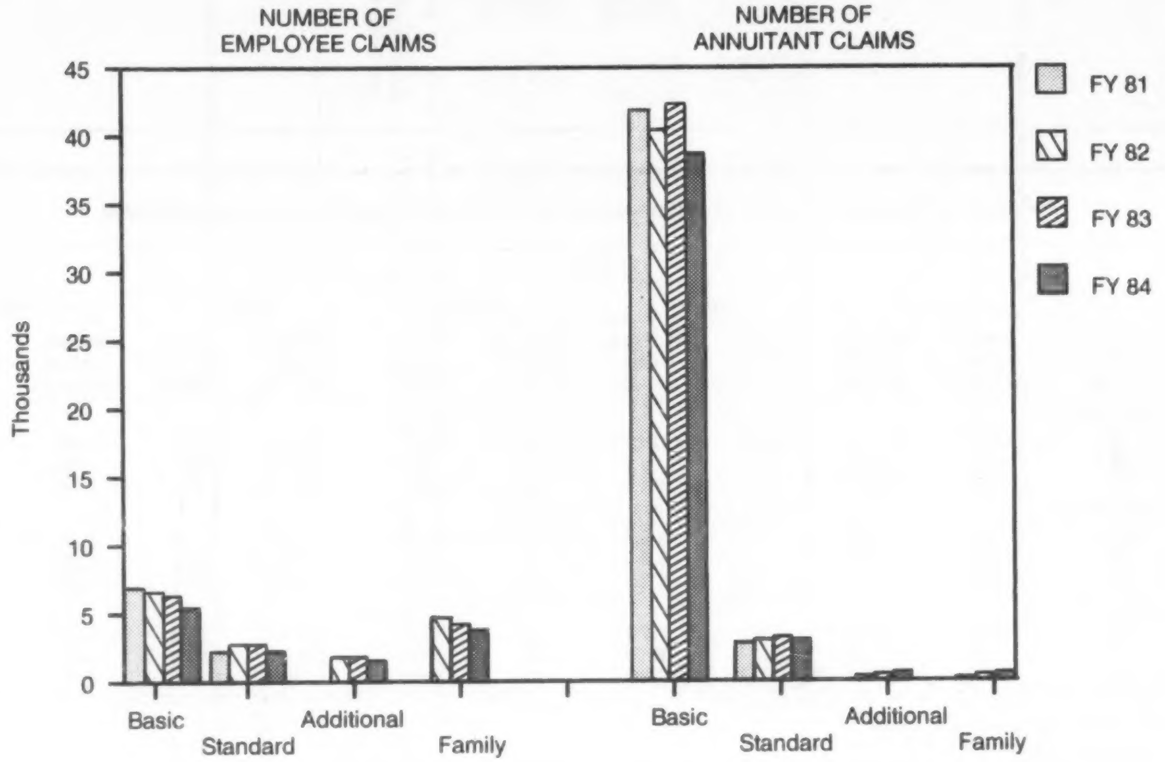


Exhibit L2: Number and Amount of FEGLI Claims, Fiscal Years 1981-1984
(dollars in millions)



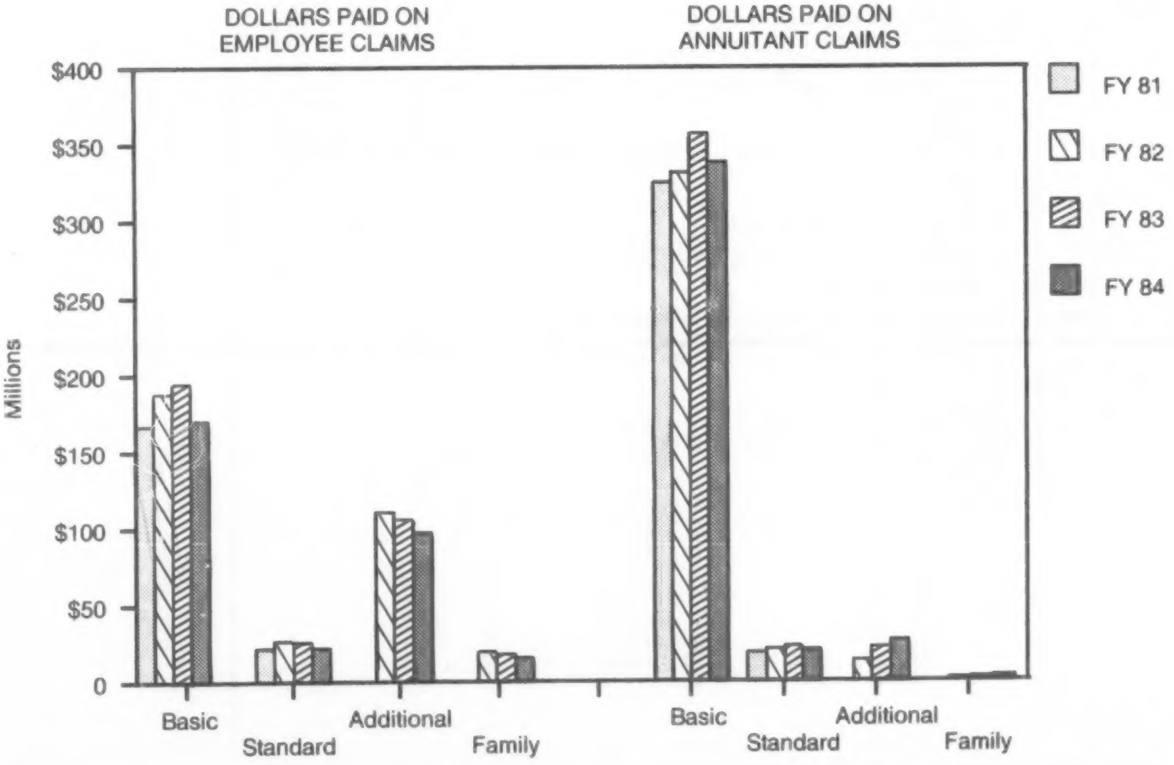


Exhibit L3: Estimated FEGLI Enrollment and Insurance in Force, Fiscal Years 1982-1984

Fiscal Year	Option								Total	
	Basic		Standard		Additional		Family			
	Number Enrolled (thousands)	Insurance in Force (billions)	Number Enrolled (thousands)	Insurance in Force (billions)	Number Enrolled (thousands)	Insurance in Force (billions)	Number Enrolled (thousands)	Insurance in Force (billions)	Number Enrolled (thousands)	Insurance in Force (billions)
EMPLOYEES										
1982	2,485	$147.0	1,060	$21.2	786	$47.1	1,019	$9.2	2,485	$224.5
1983	2,465	$153.0	1,049	$21.0	815	$53.4	1,019	$9.2	2,465	$236.6
1984	2,495	$159.8	1,073	$21.5	836	$55.1	1,051	$9.5	2,495	$245.9
ANNUITANTS										
1982	1,251	$ 16.6	107	$ 0.9	7	$ 0.4	24	$0.1	1,251	$ 18.0
1983	1,280	$ 17.3	114	$ 0.9	13	$ 0.6	46	$0.2	1,280	$ 19.0
1984	1,317	$ 18.1	120	$ 1.0	20	$ 0.9	68	$0.4	1,317	$ 20.4
TOTAL										
1982	3,736	$163.6	1,167	$22.1	793	$47.5	1,043	$9.3	3,736	$242.5
1983	3,745	$170.3	1,163	$21.9	828	$54.0	1,065	$9.4	3,745	$255.6
1984	3,812	$177.9	1,193	$22.5	856	$56.0	1,119	$9.9	3,812	$266.3

Annuitant Data Source: annuity roll.
As of Date: September 30.
Employee Data Source: semiannual Headcount Report and OPM Central Personnel Data File (CPDF).
As of Date: September 30.

Notes: (1) Employee enrollments are adjusted to correct for LWOP.
(2) Average employee coverages:

Basic	$26,837	(from Headcount)
	x 2	(for accidental death)
	53,674	
	+ 10,359	(extra insurance for employees less than age 45: .386 age factor x $26,837)
	$64,033	
Standard	$10,000	
	x 2	(for accidental death)
	$20,000	
Additional	$65,851	(from CPDF)
Family	Estimated at $9,000 per family ($5,000 for spouse + $2,500 x 1.6 children)	

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Exhibit L4: Number and Amount of FEGLI Claims, Fiscal Years 1981-1984

(dollars in millions)

	Option															
	Basic		Standard		Additional		Family		Accidental Deaths		Total Deaths		Dismemberments		Total Deaths and Dismemberments	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
EMPLOYEES																
1981	6,832	$164.9	2,111	$21.1	NA	NA	NA	NA	1,104	$20.5	6,832	$206.5	107	$1.3	6,939	$207.8
1982	6,515	$185.9	2,621	$26.2	1,699	$110.9	4,599	$20.1	733	$20.6	11,114	$363.6	53	$0.7	11,167	$364.4
1983	6,239	$192.2	2,593	$25.9	1,665	$106.1	4,133	$18.1	663	$19.8	10,372	$362.1	33	$0.5	10,405	$362.6
1984	5,324	$168.7	2,231	$22.3	1,503	$ 97.8	3,677	$16.1	519	$15.8	9,001	$320.8	36	$0.6	9.037	$321.4
ANNUITANTS																
1981	41,581	$321.7	2,658	$18.3	NA	NA	NA	NA	NA	NA	41,581	$340.0	NA	NA	41,581	$340.0
1982	40,134	$328.0	2,864	$20.3	193	$ 13.3	85	$ 0.4	NA	NA	40,219	$361.9	NA	NA	40,219	$361.9
1983	42,053	$352.9	3,105	$21.9	383	$ 22.3	307	$ 1.5	NA	NA	42,360	$398.6	NA	NA	42,360	$398.6
1984	38,413	$334.4	2,923	$19.8	489	$ 26.0	421	$ 2.0	NA	NA	38,834	$382.2	NA	NA	38,834	$382.2
TOTAL																
1981	48,413	$486.6	4,769	$39.4	NA	NA	NA	NA	1,104	$20.5	48,413	$546.5	107	$1.3	48,520	$547.8
1982	46,649	$513.9	5,485	$46.5	1,892	$124.1	4,684	$20.5	733	$20.6	51,333	$725.6	53	$0.7	51,386	$726.3
1983	48,292	$545.1	5,698	$47.8	2,048	$128.4	4,440	$19.6	663	$19.8	52,732	$760.7	33	$0.5	52,765	$761.2
1984	43,737	$503.1	5,154	$42.1	1,992	$123.8	4,098	$18.1	519	$15.8	47,835	$703.0	36	$0.6	47,871	$703.6

NA: Not applicable.

Data Source: Metropolitan Life Insurance Company.

As of Date: September 30.

Notes: Accidental Death and Dismemberment (AD&D) coverage is not offered to annuitants.

Because all optional coverages and AD&D coverage require enrollment in Basic, the total number of claims is less than the sum of claims by type. Total deaths equals Basic claims plus Family claims.

Total dollars may not add due to rounding.

Exhibit L5: Number and Amount of FEGLI Claims by Age Group and Option, Fiscal Year 1984

($000)

	Option													
	Basic		Standard		Additional		Family		Accidental Death		Dismemberment		Total	
Age Group	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<20	1	$ 26	0	$ 0	0	$ 0	2	$ 8	0	$ 0	0	$ 0	3	$ 34
20-24	40	1,406	17	170	6	272	32	95	19	424	3	35	75	2,402
25-29	156	6,381	73	730	50	3,369	147	490	56	1,493	2	23	305	12,486
30-34	286	12,657	117	1,170	104	7,145	248	870	87	2,353	5	76	539	24,271
35-39	372	16,171	171	1,710	151	12,328	329	1,235	75	2,250	9	140	710	33,834
40-44	515	17,054	221	2,210	195	15,355	386	1,545	67	2,144	4	46	905	38,354
45-49	811	21,440	311	3,110	296	21,126	510	2,185	45	1,515	4	70	1,325	49,446
50-54	1,779	46,461	641	6,410	455	26,792	704	3,268	78	2,680	5	80	2,488	85,691
55-59	3,618	89,196	878	8,780	394	18,804	877	4,260	50	1,621	4	119	4,499	122,780
60-64	6,189	135,811	1,062	10,617	221	9,947	650	3,207	30	888	0	0	6,839	160,470
65-69	7,152	80,056	634	4,263	74	3,778	172	807	8	282	0	0	7,324	89,186
70-74	6,905	34,278	137	607	31	2,312	33	142	3	97	0	0	6,938	37,436
75-79	6,029	20,802	312	844	10	1,173	2	10	1	68	0	0	6,031	22,897
80-84	4,682	11,766	450	1,170	1	219	3	14	0	0	0	0	4,685	13,169
85-89	3,727	7,216	123	330	3	805	1	5	0	0	0	0	3,728	8,355
90-94	1,290	2,146	6	23	1	350	0	0	0	0	0	0	1,290	2,519
95-99	179	247	1	3	0	0	2	8	0	0	0	0	181	258
100+	6	8	0	0	0	0	0	0	0	0	0	0	6	8
TOTAL	43,737	$503,123	5,154	$42,146	1,992	$123,775	4,098	$18,148	519	$15,815	36	$589	47,871	$703,596

Data Source: Metropolitan Life Insurance Company Reporting System.
As of Date: September 30, 1984.
Notes: Calculated age is the age of the insured upon the birthday nearest the beginning of the fiscal year in which death or dismemberment occurred.
Total dollars may not add due to rounding.

Exhibit L6: Federal Employees' Group Life Insurance Fund Financial Highlights, Fiscal Years 1980-1984

($000)

	FY Ending 9/30/80	FY Ending 9/30/81	FY Ending 9/30/82	FY Ending 9/30/83	FY Ending 9/30/84
REVENUES					
Premium Income:					
Employee Withholdings:					
Basic	$260,494	$ 282,818	$ 298,816	$ 302,064	$ 306,833
Optional	43,445	133,791	253,048	271,204	275,654
Beneficial	1,613	1,527	1,440	1,305	1,270
Annuitant Withholdings:					
Basic	0	2,885	13,631	21,924	33,829
Optional	9,983	12,695	16,150	20,481	24,761
Government Contributions	265,765	270,779	277,294	285,966	287,523
Interest Income:					
Basic	276,928	307,263	385,558	432,941	495,525
Optional	23,435	29,957	48,234	57,735	75,617
Beneficial	39	28	14	5	8
Escheatment of Funds	259	879	965	1,100	528
Subtotal	**881,961**	**1,042,622**	**1,295,150**	**1,394,725**	**1,501,548**
EXPENSES					
Premiums Paid to Carriers:					
Basic	471,746	502,866	585,783	588,526	582,126
Optional	39,689	110,106	162,094	205,214	209,590
Beneficial	3,795	4,609	4,441	4,219	4,224
Administrative Expense:					
Basic	(129)	365	647	408	411
Optional	(129)	365	647	408	411
Beneficial	146	372	663	421	237
Net Operational Activity for Insurance Carriers—Beneficial	277	(15)	(253)	110	181
Payments from Escheated Funds	32	67	138	67	107
Subtotal	**515,427**	**618,735**	**754,160**	**799,373**	**797,287**
EXCESS OF REVENUES OVER EXPENSES	**$366,534**	**$ 423,887**	**$ 540,990**	**$ 595,352**	**$ 704,261**
GOVERNMENT EQUITY					
Beginning Balance	$ 0	$ 0	$ 0	$ 0	$ 0
Excess of Revenues Over Expenses	366,534	423,887	540,990	595,352	704,261
Changes in Actuarial Liability	(366,534)	(423,887)	(540,990)	(595,352)	(704,261)
Ending Balance	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Financial Statements

The accompanying financial statements are in accordance with generally accepted accounting principles and fairly present the status of the Federal Employees' Group Life Insurance (FEGLI) Fund. Revenues and expenses under the Standard, Additional, and Family optional insurance programs have been combined under a single heading.

Highlights

In FY 1984, the 1982 actuarial valuation of the FEGLI Program was released. The valuation disclosed improved mortality experience and higher investment yields earned by the FEGLI Fund. As a result, new FEGLI premium rates were adopted effective the first pay period beginning after April 30, 1984 (see Note C(2)). The new rates were actuarially determined to equalize the present value of future benefit payments with the Fund's net assets plus the present value of estimated future premiums. Therefore, the Fund's Government equity continues to show zero in the attached financial statements (see Note B(2)). The rate reduction was 8.3 percent for the Basic program and from zero to 48 percent for the optional programs, depending on age and type of coverage.

Even with the rate reduction, revenues grew by approximately $107 million in FY 1984. This increase is primarily the result of greater interest income ($80 million) and a slight increase in premium income ($27 million). The continued increase in interest income reflects a growing FEGLI Fund and an increase in the rate of return on the Fund's net assets. As displayed in the accompanying graph, interest income as a percentage of total revenues has grown from 34 percent in FY 1980 to 38 percent in FY 1984. The importance of interest income is underscored by the fact that it would have funded 72 percent of FY 1984 total expenses. (Revenue and expenses for the Beneficial Program are included with those for Basic coverage in these graphs. See Note A(5) for a description of the Program.)

The growth in premium income is due mainly to the January 1984 salary increases of 4.0 percent, increased employee enrollments as a by-product of a larger Federal workforce, and increased annuitant participation in the Program. Premium income from annuitants as a percentage of total revenues has increased from 1.1 percent in FY 1980 to 3.9 percent in FY 1984. As a result of major changes in the FEGLI Act effective April 1, 1981, annuitants are permitted to select higher levels of postretirement coverage at additional cost. The 1981 changes were also popular with employees and have increased premium income from the optional coverages as a percentage of total revenues from six percent in FY 1980 to 20 percent in FY 1984. Since these coverages have the greatest potential for growth, this trend should continue in future years.

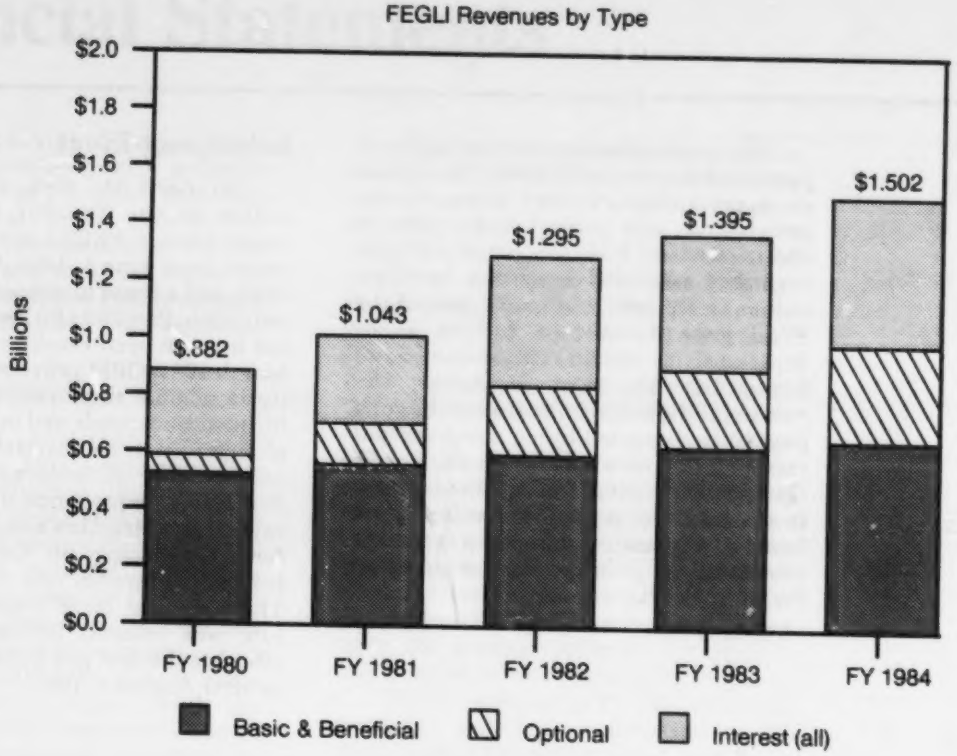
FEGLI expenses in FY 1984 remained relatively stable in comparison to FY 1983, with a $6 million decrease in Basic premiums paid and a $4 million increase in premiums paid for optional coverage. As displayed in the accompanying graph, optional premiums as a percentage of total expenses have grown from 7.7 percent in FY 1980 to 26.3 percent in FY 1984. This parallels the growth in premium income from the optional coverages noted above.

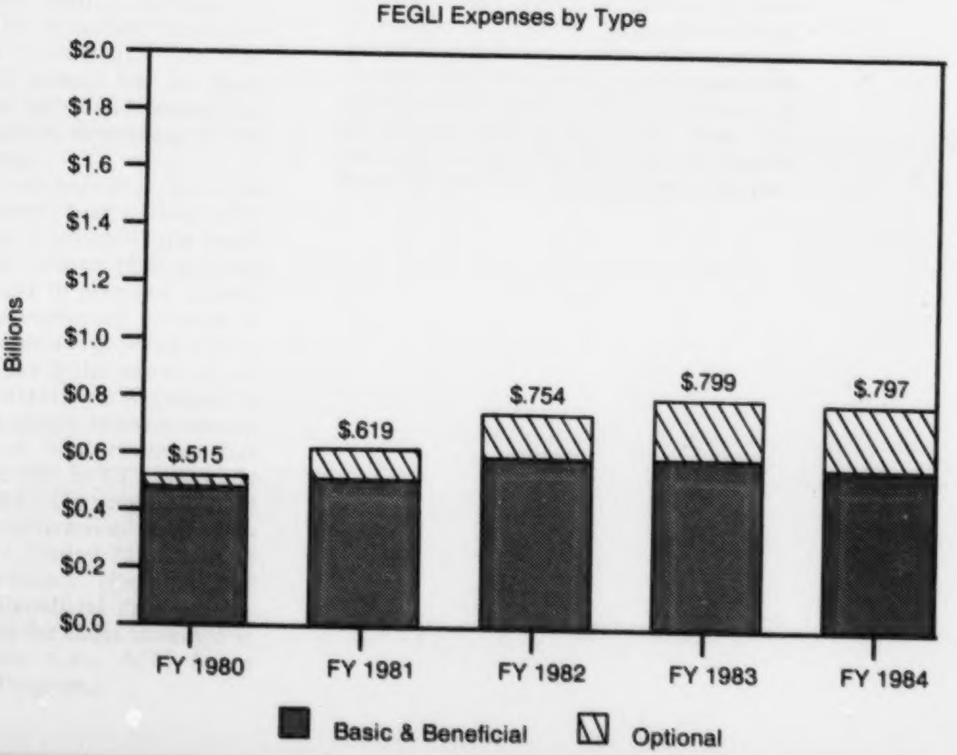
The excess of revenues over expenses continued to grow in FY 1984. This excess as a percentage of total revenues has grown from 41.6 percent in FY 1980 to 46.9 percent in FY 1984. Since total FEGLI revenues exceeded expenses by $704 million in FY 1984, the total assets of the Fund grew from $5.5 billion as of September 30, 1983, to $6.2 billion as of September 30, 1984. However, the actuarial liability for future benefit payments also grew by an equal amount resulting in a zero balance for the Fund's Government equity balance. The increase in the actuarial present value for future benefit payments reflects a growing annuitant population and a growing Federal payroll.

Subsequent Event

On April 18, 1985, OPM issued a notice in the Federal Register that announced a FEGLI open enrollment period from June 1, 1985, through July 1, 1985, and a Basic insurance premium rate reduction. (See Note F.) Because there had not been an open enrollment period since March 1981, OPM provided an opportunity to eligible employees to review their life insurance needs and make any desired changes in their participation status and/or level of coverage. The FEGLI Program's experience under the 1984 revised rate structure also indicated that a further reduction in the FEGLI Basic insurance premium rate was appropriate. Therefore, the Basic insurance premium rate was reduced further (9.1 percent) effective the first pay period beginning on or after August 1, 1985.

Federal Employees' Group Life Insurance Program
TYPES OF REVENUES AND EXPENSES


FEGLI Revenues by Type


FEGLI Expenses by Type

Financial Statement L-I

Consolidated Statement of Financial Condition

September 30, 1984 and 1983

Federal Employees' Group Life Insurance Program

	September 30, 1984 ($000)	September 30, 1983 ($000)
Assets		
Cash balance in fund	$ 517	$ 3,401
U.S. securities (par value)	5,965,649	5,258,787
Unamoritzed premium and discount (net)	(24,860)	(30,129)
Total U.S. securities (book value) (Notes B(1) and D)	5,940,789	5,228,658
Accounts receivable:		
Accrued interest	155,465	130,720
Accrued employee withholdings	33,560	25,943
Accrued annuitant withholdings	3,750	1,850
Accrued agency contributions	9,399	6,143
Advances for administrative expenses	665	297
Total accounts receivable	202,839	164,953
Contingency reserves held by carriers (Note B(3))	50,962	51,142
Total Assets	$6,195,107	$5,448,154
Liabilities and Government Equity		
Accounts payable:		
Insurance premiums (Note B(3))	$ 89,302	$ 46,585
Premiums paid in advance for Beneficial Insurance	216	235
Accrued annual leave for trust fund employees	40	46
Total accounts payable	89,558	46,866
Actuarial liability for future payments (Note B(2))	6,105,549	5,401,288
Total Liabilities	6,195,107	5,448,154
Government equity (Note B(2))	0	0
Total Liabilities and Government Equity	$6,195,107	$5,448,154

The accompanying notes are an integral part of the financial statements.

Financial Statement L-II

Consolidated Statement of Revenues, Expenses, and Government Equity

Federal Employees' Group Life Insurance Program

	For the Fiscal Year Ended September 30, 1984 ($000)	For the Fiscal Year Ended September 30, 1983 ($000)
Revenues		
Employee withholdings (Note C):		
Basic	$ 306,833	$ 302,064
Optional	275,654	271,204
Beneficial	1,270	1,305
Annuitant withholdings (Note C):		
Basic	33,829	21,924
Optional	24,761	20,481
Government contributions (Note C)	287,523	285,966
Interest earned on fund in Treasury (net of amortization and losses):		
Basic	495,525	432,941
Optional	75,617	57,735
Beneficial	8	5
Escheatment of funds	528	1,100
Total Revenues	1,501,548	1,394,725
Expenses		
Insurance premiums:		
Basic	582,126	588,526
Optional	209,590	205,214
Beneficial	4,224	4,219
Administrative expense:		
Basic	411	408
Optional	411	408
Beneficial	237	421
Net operational activity for Beneficial Insurance carrier (Note B(3))	181	110
Payments from escheated funds (Note E)	107	67
Total Expenses	797,287	799,373
Excess of Revenues Over Expenses	704,261	595,352
Government equity, beginning	0	0
Additional actuarial liabilities accumulated (Note B(2))	(704,261)	(595,352)
Government Equity, Ending	$ 0	$ 0

The accompanying notes are an integral part of the financial statements.

Financial Statement L-III

Consolidated Statement of Changes in Financial Position

Federal Employees' Group Life Insurance Program

	For the Fiscal Year Ended September 30, 1984 ($000)	September 30, 1983 ($000)
Sources of Cash:		
Revenue	$1,501,548	$1,394,725
Redemption of investments	1,269,712	1,216,195
Less noncash revenue:		
Amortized discount and premium net	(6,666)	(6,302)
Add decrease; deduct (increase) in:		
Accounts receivable:		
Accrued interest	(24,745)	(19,171)
Interest purchased	0	4,250
Accrued employee withholdings	(7,617)	(683)
Accrued annuitant withholdings	(1,900)	(719)
Accrued agency contributions	(3,256)	663
Premiums paid in advance for Beneficial Insurance	(19)	(10)
Total Cash Received	$2,727,057	$2,588,948
Application of Cash:		
Expenses	$ 797,287	$ 799,373
Purchase of investments	1,975,177	1,793,999
Add decrease; deduct (increase) in:		
Accounts payable:		
Insurance premiums	(42,717)	(5,738)
Accrued administrative expense	0	182
Accrued annual leave for trust fund employees	6	1
Advances for administrative expense	368	215
Contingency reserves held by carriers (Note B)	(180)	(110)
Total Cash Disbursed	$2,729,941	$2,587,922
Increase (Decrease) in Cash	$ (2,884)	$ 1,026
Schedule of Change in Cash		
Ending cash balance	$ 517	$ 3,401
Beginning cash balance	3,401	2,375
Increase (Decrease) in Cash	$ (2,884)	$ 1,026

The accompanying notes are an integral part of the financial statements.

Federal Employees' Group Life Insurance Program Notes to Consolidated Financial Statements September 30, 1984 and 1983

A. Description of Program

The following brief description of the Federal Employees' Group Life Insurance (FEGLI) Program is provided only for purposes of general information.

1. General

The Federal Employees' Group Life Insurance Program was established by P.L. 83-598, signed on August 17, 1954. On October 10, 1980, the new FEGLI Program was signed into law (P.L. 96-427). Unless specifically waived, reenrollment in Basic Life was automatic on March 31, 1981, with coverage effective April 1, 1981. The covered population includes the President, Members of Congress, Government employees, Congressional employees, employees of the District of Columbia and Gallaudet College, and others not excluded by statute or regulation of the U.S. Office of Personnel Management (OPM). Basic and optional insurance benefits are provided by the Metropolitan Life Insurance Company under contract with OPM.

2. Basic Life

Participation in Basic life insurance is automatic on the date of eligibility. However, employees desiring not to be insured may waive coverage by written notice to their employing office.

An employee is entitled to Basic life insurance in an amount equivalent to his or her annual pay rounded upward to the next thousand, plus $2,000, but not to exceed the annual basic amount calculated for positions at Level II of the Executive Schedule (currently $75,100 or $78,000 of coverage). If annual pay is $8,000 or less, the employee is insured for a minimum amount of $10,000. Additional benefits without additional premium costs are provided for employees under age 45, which range from two times the basic amount described above for employees age 35 or under to 1.1 times the basic amount described above for employees at age 44. An additional accidental death and dismemberment (AD and D) benefit is provided for employees: it does not continue into retirement. In the event of accidental death, the total amount paid is twice the basic amount. One-half the basic amount is paid to the enrollee for the loss of one hand, one foot, or the sight of one eye, and the full amount is paid for the loss of two or more of such members.

3. Optional Life

Basic life insurance enrollment is a prerequisite for optional life insurance coverage, and the employee pays the total premium. Under the new Program, the original optional insurance became known as standard life insurance; as before, it provides $10,000 of life insurance coverage and an equal amount of AD and D. Additional optional insurance known as Additional life insurance is offered in coverage amounts equal to one, two, three, four, or five times annual basic pay (after basic pay is first rounded to the next higher $1,000). Family member life insurance is offered with $5,000 coverage for a spouse and $2,500 coverage for each child under age 22 (and older if the child is incapable of self-support because of a mental or physical disability which existed prior to age 22).

4. Coverage After Retirement

Basic life insurance continues into retirement with three elections offered as follows: (1) 75 percent reduction (no cost to the annuitant), which reduces two percent per month after age 65 to a minimum of 25 percent; (2) 50 percent reduction (additional cost to the annuitant), which reduces one percent a month after age 65 to a minimum of 50 percent; and (3) no reduction (additional cost to the annuitant). If either of the last two elections is cancelled, the amount of life insurance will be computed as if the annuitant had originally elected the 75 percent reduction. These provisions are for employees eligible to continue Basic life insurance as retirees or under the Office of Worker's Compensation, U.S. Department of Labor, effective on or after December 9, 1980.

The other optional insurance benefits (Standard, Additional, Family) may be continued into retirement at an additional cost to the annuitant.

5. Beneficial Association

Prior to the FEGLI Program, life insurance coverage was offered to groups of Federal employees by beneficial associations. By 1954, there were 27 such associations. The FEGLI Act, approved August 11, 1955, authorized the Civil Service Commission to purchase a qualified life insurance policy from one of its existing insurers or from an insurer under the FEGLI Program to insure all or portions of the agreements assumed from the beneficial associations. The contract was awarded to Shenandoah Life Insurance Company. The enrollee makes premium payments directly to Shenandoah Life Insurance Company. There is no Government contribution toward Beneficial Association insurance. However, since the cost of Beneficial Association benefits exceeds premium and interest income due to a closed enrollment and advancing age of members, there are authorized transfers of Basic Life Insurance Fund monies to make up the excess of Shenandoah premium charges over collections.

B. Summary of Accounting Policies

1. Valuation of Investments

The Fund's investments consist solely of U.S. Government securities. These investments represent 96 percent of the Fund's assets. The fair value of the U.S. Securities (see Note D) was determined by over-the-counter quotations for September 28, 1984, as reported in the Wall Street Journal.

2. Actuarial Liability for Future Benefit Payments

The Actuarial Liability for Future Benefit Payments represents the Fund's net assets (total assets less nonactuarial liabilities) available for payments that will be made while members are not remitting premiums (i.e., primarily after retirement). This liability increases each year, reflecting a steady growth in the number of annuitants.

Based on the 1984 actuarial valuation of the FEGLI Fund, OPM revised the Fund's premium rates effective the first pay period beginning after April 30, 1984 (see Note (C(2)). After further analysis of the Fund's claims experience, the Basic premium rate was further reduced effective August 1, 1985 (See Note F). In both instances, premium rates were established to collect the full amount necessary to pay the present value of future benefits to or on behalf of FEGLI enrollees. Therefore, using computational methodology appropriate to funding, the Fund's net assets plus the present value of future benefits equal the present value of estimated future premiums to be collected from enrollees and the Government. These actuarial estimates take into consideration the time value of money (through discounts for interest), salary inflation, and the probability of payment (by means of decrements for death, withdrawal, and retirement). Key economic assumptions used in the actuarial calculations are an eight percent interest rate and a 7½ percent salary inflation rate.

In November 1984, the General Accounting Office issued a new version of its "Title 2—Accounting" principles. Included in the new version was a completely new standard for "Liabilities Based on Actuarial Calculations" (L20). Beginning in Fiscal Year 1985, this standard requires that the actuarial liability for future benefit payments be computed using economic assumptions that are consistent with the long-term inflation rate used for Federal pension plan reporting (five percent). It also requires the disclosure of the significant assumptions used in computing the figure. Additionally, if the actuarial liability computed in accordance with the new standard is different from the actuarial liability computed for funding purposes, the liability used for funding purposes must be disclosed along with the reasons for the difference between the two liabilities. Since the Fund's actuarial liability for future benefit payments would increase under the new standard, OPM is evaluating the impact this change in accounting principles will have on the Fund's Fiscal Year 1985 financial statements.

3. Reserves

a. Accrued Claims Reserves—Both life insurance carriers are responsible for separately accounting for all revenues and expenses applicable to their Federal plans. In accordance with accrual accounting, estimates are recorded for the amount of incurred but unpaid claims outstanding. These are claims which involve deaths or dismemberments that occurred on or before September 30 of each fiscal year and which have not been paid by the carrier. FEGLI Program funds held in these reserves earn interest which is credited to each carrier's contingency reserve.

b. Contingency Reserves Held by Carriers—Both of the insurance carriers hold the contingency reserves which amount to the carrier's cumulative excess of premiums due and received from OPM (plus interest) over the sum of benefit payments and expense and risk charges since the inception of the Program. By contract, the normal contingency reserve balances for both Fiscal Years 1984 and 1983 are $50,000,000 for Metropolitan Life Insurance Company (prime contractor), and $1,000,000 for Shenandoah Life Insurance Company (Beneficial contractor). All reserves held by the carriers bear interest at a rate that is determined in advance of each policy year by the insurance company and approved by OPM as being consistent with rates generally used by the carriers for similar funds held under other group life insurance policies. If and when the policy is discontinued and if, after all charges have been made, there is any positive balance remaining in the contingency reserves, such balance shall be deposited in the U.S. Treasury to the credit of the Fund, subject to the right of the insurance company issuing the policy to make such deposit in equal monthly installments over a period not to exceed two years. These reserves represent FEGLI Program assets.

As of September 30, 1984, $89.3 million, representing accrued premiums payable, was needed to bring Metropolitan Life Insurance Company's reserve up to the normal level of $50 million, and an accrued premiums payable of $46.6 million was needed as of September 30, 1983, to bring the reserves up to the normal level. Therefore, there were no actual funds held in the Metropolitan Life Insurance Company contingency reserve as of September 30, 1984, and $3,413,723 as of September 30, 1983. The amount necessary to bring the Metropolitan Life Insurance Company's contingency reserve up to its normal balance is shown as an insurance premium payable on the FEGLI Fund's financial statements.

4. Principles of Consolidation

The statements include the accounts of the Basic, optional, and Beneficial programs. Intrafund transactions were eliminated in consolidation.

C. Funding Policy

1. General

The FEGLI Fund is a self-sustaining revolving trust fund which receives premium income from employee/annuitant withholdings and Government contributions. The Fund also receives interest income on its investments and reserves held by the carriers.

2. Premium Rates

The premium rates for the FEGLI Program were changed effective the first pay period beginning on or after May 1, 1984. Generally, the rates were lowered. The lower premiums are the result of a February 1984 actuarial valuation of the Program that disclosed improved mortality experience and higher investment yields earned by the FEGLI Fund. A further reduction in the Basic life insurance premium rate was also announced in 1985 (see Note F).

Basic life insurance costs are shared, with two-thirds paid by the employee and one-third by the Government, except in the case of the U.S. Postal Service, which pays the entire cost. Optional life insurance costs are paid entirely by the employee or annuitant. The following table presents the biweekly premium rates for employees.

Age	Biweekly Rates Effective April 1, 1981	Biweekly Rates Effective May 1, 1984	Percent Reduction
Basic (premium per $1,000):			
All ages	$ .24	.22	8.3
Standard—Option A (premium per $10,000):			
Under 35	$ .60	$ .55	8
35 to 39	.80	.70	13
40 to 44	1.40	1.00	29
45 to 49	2.20	1.60	27
50 to 54	3.20	2.70	16
55 to 59	7.50	6.00	20
60 & over	9.00	7.50	17
Additional—Option B (premium per $1,000):			
Under 35	$ .05	$ .04	20
35 to 39	.07	.05	29
40 to 44	.12	.08	33
45 to 49	.20	.16	20
50 to 54	.30	.27	10
55 to 59	.60	.60	0
60 & over	.95	.95	0
Family—Option C (premium per contract):			
Under 35	$ .50	$ .30	40
35 to 39	.60	.31	48
40 to 44	.70	.52	26
45 to 49	.90	.72	20
50 to 54	1.30	1.10	15
55 to 59	2.00	2.00	0
60 & over	3.00	3.00	0

The cost for postretirement Basic life insurance coverage did not change and is listed below by type of election:

Election	Cost*	
	Biweekly	Monthly
1. 75 percent reduction	no cost	no cost
2. 50 percent reduction	$ .30	$ .65
3. no reduction	.81	1.75

*Cost per $1,000 of full Basic life insurance amount at retirement.

Beneficial insurance consists of 27 different associations each with a different rate schedule. The rates range from $0.75 to $4.50 per unit, and a unit ranges from $500 to $1,000. The members pay premiums directly to the Shenandoah Life Insurance Company, but the premiums do not equal the cost of providing the benefits. The amount needed to overcome the shortage is provided by the Basic life insurance program. The following amounts were transferred from Basic to Beneficial:

FY 1983	$3,413,951
FY 1984	3,222,617

D. Investments

The Fund's investments are only in U.S. Government securities. The following table presents the book value and fair value of those investments:

	September 30, 1984	
	Book Value	**Fair Value**
Investments (Note B(1)):		
U.S. Treasury notes	$3,156,316,495	$3,167,829,383
U.S. Treasury bonds	2,780,586,487	2,048,598,947
U.S. Treasury bills	3,886,189	3,886,264
Total investments	$5,940,789,171	$5,220,314,594

	September 30, 1983	
	Book Value	**Fair Value**
Investments (Note B(1)):		
U.S. Treasury notes	$2,269,233,372	$2,374,907,605
U.S. Treasury bonds	2,939,788,199	2,345,025,909
U.S. Treasury bills	19,636,037	19,636,038
Total investments	$5,228,657,608	$4,739,569,552

E. Escheated Funds

The amount of group life insurance and group accidental death insurance in force on an employee at the date of his or her death is paid according to the following order of precedence: a designated beneficiary; widow or widower of the employee; children; next of kin; or the administrator of the estate of the employee. If none of the above exist, the insurance will be paid to other kin of the employee entitled under the laws of the domicile of the employee at the date of his or her death. If, within four years after the death of an employee, payment has not been made under the legal provisions and no claim for payment is pending, the amount payable escheats to the credit of the FEGLI Fund. However, if a claimant is later found, payment is made from the escheated funds to an entitled claimant.

F. Subsequent Event

On April 18, 1985, OPM issued a notice in the Federal Register that announced a FEGLI open enrollment period from June 1, 1985, through July 1, 1985, and a Basic life insurance premium rate reduction. Since no open enrollment period had been conducted since March 1981 and OPM's most recent review of the FEGLI Program indicated that claims experience had more than sustained the new rates introduced in 1984 (see Note C(2)), OPM management felt that employees should be given an opportunity to review their insurance needs and, if appropriate, either add to their existing coverages or enroll in FEGLI if they had previously waived all coverage.

Effective with the first pay period beginning on or after August 1, 1985, the biweekly employee premium for Basic life insurance was lowered from $.22 per $1,000 of coverage to $.20 per $1,000 of coverage (9.1 percent decrease). The agency contribution of one-half the employee rate of withholding was similarly reduced. The rates for optional insurance and postretirement Basic were not changed.

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Pay Programs

Pay Highlights

Federal employees are paid under a number of different statutory or administratively determined systems, as shown in Exhibit P1. These systems or pay plans are distinguished by the kinds of positions they cover or the agency location of the positions.

The General Schedule (GS) pay system is the major pay plan for white-collar Federal employees. Positions covered by the GS pay plan include professional, administrative, technical, clerical, and certain other work in the Executive Branch and in some Legislative and Judicial agencies. A single pay schedule applies to GS positions. By statute, this schedule is reviewed and updated annually. For this report, supervisors and managers under the Merit Pay system are included in the GS figures.

Federal employees in blue-collar positions are paid under the Federal Wage Systems (FWS). These include trade, craft, and labor occupations paid from appropriated and nonappropriated funds. (Appropriated funds are those appropriated by Congress while nonappropriated funds are those generated by certain military and Veterans Administration (VA) activities such as exchanges and canteens.) FWS pay rates are based on local private sector prevailing rates. This results in a different FWS pay schedule for each of the 135 appropriated fund and 140 nonappropriated fund wage areas.

By law, postal employees are not covered by the pay systems applicable to most Government employees. Their pay rates are established by negotiation and pay consultation rather than by statute or administrative determination. Although OPM has no role in setting their pay, they are included here because they are eligible for Civil Service retirement and Federal health and life insurance benefits and are counted in the figures reported in those sections of this report.

The rest of the full-time Federal workforce is paid under a variety of smaller pay plans. These plans primarily cover executive positions and specialized jobs located within specific agencies.

For more complete salary and wage information on Federal employees see *Pay Structure of the Federal Civil Service*, produced annually by OPM's Office of Workforce Information.

General Schedule Highlights

Nearly 1.4 million Federal employees were paid under the General Schedule pay plan in Fiscal Year 1984. It is the largest pay system, covering 56 percent of all full-time Federal employees.

- **GS Pay Up by Four Percent in Fiscal Year 1984**

GS employees received a four percent increase in 1984, an increase valued at 1.1 billion. The President had submitted an alternative plan to Congress calling for a 3.5 percent raise in January 1984. Congress allowed the alternative plan to go into effect but later changed the amount to four percent, retroactive to January.

The 3.5 percent (later four percent) increase was in lieu of a 21.51 percent increase that was indicated by the "comparability" pay-setting method used by the President's Pay Agent (see Exhibit P3). In their August 1983 report on the FY 84 "comparability" adjustment, the Pay Agent—the Secretary of Labor and the Directors of OPM and OMB, who jointly advise the President on Federal pay matters—noted that while they found the principle of pay comparability to be reasonable, they felt that the current procedures produced an unrealistically high estimate of the comparability gap and that a number of modifications to improve the comparability measure should be considered. They would continue to study alternative approaches to see to what extent new methods should be used in calculating future comparability adjustments.

On December 19, 1983, an interagency Working Group was formed by the Cabinet Council on Management and Administration (CCMA). The Working Group was directed to review the pay comparability system and to recommend better ways of making pay decisions.

- **Special Salary Rates for General Schedule Positions**

The special salary rate authorizations covered under title 5 generated a cost of $101 million in FY 1984. Special salary rates, which are higher than the regular GS rates, are intended to help resolve significant staffing problems caused by higher pay rates in the private sector for some occupations. Over three-fourths (77 percent) of the covered positions are in engineering and 11 percent are in medical occupations. Special salary rates may be approved on a broad or narrow geographic basis. Of the 124 special rate schedules authorized by OPM at the beginning of FY 1984, 116 covered specific locations, four were nationwide, and four were worldwide.

Responsibility for authorizing special salary rate schedules covering some 800 patient care positions was transferred from OPM to the Veterans Administration (38 USC 4107) effective August 19, 1984. Presidential review and approval of VA pay actions, specified by the law, was delegated to OPM by Executive Order 12438.

As of the end of FY 1984, 60 special salary rate schedules covering some 30,800 positions remained under OPM's special rate authority (5 USC 5303).

- **Thirty-five Thousand Federal Employees Eligible for Nonforeign-Area Cost-of-Living Allowances**

The total number of employees eligible for nonforeign-area cost-of-living allowances is about 35,000. Total expenditures under this program for FY 1984 amounted to about $155 million. These allowances are additions to base pay for Federal white-collar employees who work in certain high cost geographic areas outside the 48 contiguous United States: Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands.

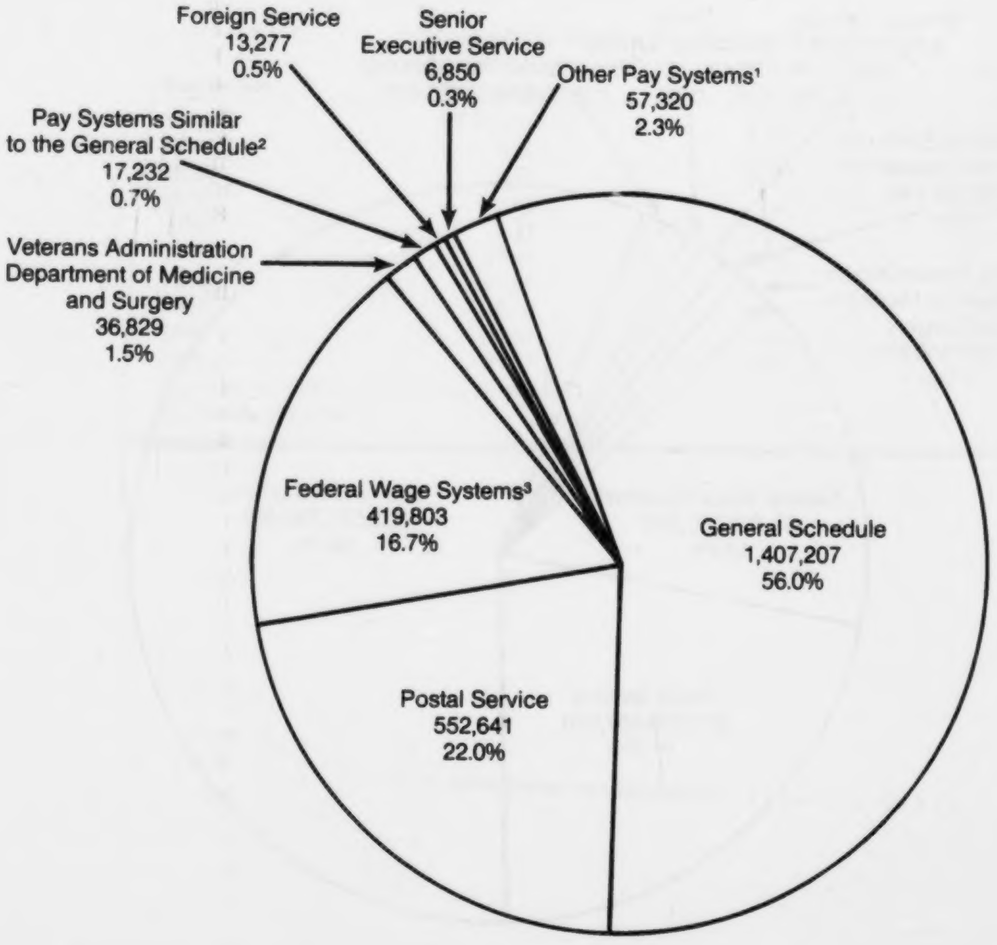
Federal Wage Systems Highlights

The Federal Wage Systems covered approximately 500,000 Executive Branch employees in Fiscal Year 1984 in both appropriated and nonappropriated functions. Developments affecting FWS during Fiscal Year 1984 include the following:

- Increases for most prevailing rate employees were restricted to the FY 1984 four percent increase provided for GS employees, including a 90-day delay in implementation of increases. This was carried out under the guidance of OPM and was the sixth consecutive fiscal year in which increases for most prevailing rate employees were restricted to the GS increase.
- The final phase of a two-part plan to provide a revised pay and grading plan for general foremen was implemented during the year. This revised plan is based on a survey of industry pay practices and updates FWS pay practices for general foremen.

Statistical Exhibits

Exhibit P1: Full-Time Federal Employment by Pay System

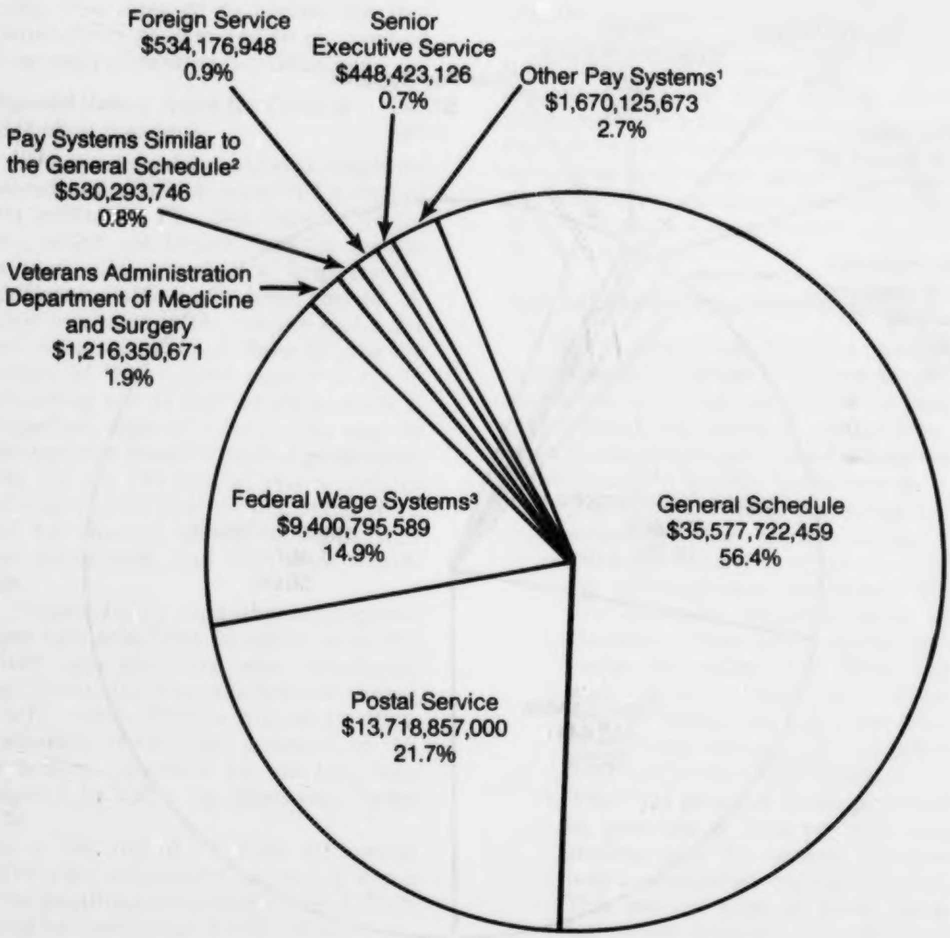


1. Includes the Executive Schedule and other systems such as those for TVA, the Canal Zone and the Veterans Administration Canteen Service. Also includes pay systems administratively determined by agency heads (in agencies where they have authority to do so).

Data Sources: Central Personnel Data File
and U.S. Postal Service.
As of Date: March 31, 1984

2. The principal employing agencies are:
General Accounting Office,
Federal Deposit Insurance Corporation,
Nuclear Regulatory Commission, and the
Government Printing Office.
3. Department of Defense nonappropriated fund employees are not included.

Exhibit P2: Annual Full-Time Federal Pay by Pay System



1. Includes the Executive Schedule and other systems such as those for TVA, the Canal Zone and the Veterans Administration Canteen Service. Also includes pay systems administratively determined by agency heads (in agencies where they have authority to do so).

Data Source: Central Personnel Data File
and U.S. Postal Service.
As of Date: March 31, 1984

2. The principal employing agencies are:
General Accounting Office,
Federal Deposit Insurance Corporation,
Nuclear Regulatory Commission, and the
Government Printing Office.
3. Department of Defense nonappropriated fund employees are not included.

Exhibit P3: General Schedule Pay Increases and Comparability Model Recommendations, Fiscal Years 1975-1984

Fiscal Year	Comparability Model Recommendations (Average Increase)	Actual GS Pay Increase (Average)	Effective Date
1975	5.52%	5.52%	October 1974
1976	8.66	5.00	October 1975
1977	5.17	5.17	October 1976
1978	7.05	7.05	October 1977
1979	8.40	5.50	October 1978
1980	10.41	7.00	October 1979
1981	13.46	9.10	October 1980
1982	15.10	4.80	October 1981
1983	18.47	4.00	October 1982
1984	21.51	4.00	January 1984

Data Source: Office of Pay Programs, OPM.
As of Date: October 1.

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